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# West Europe Report

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## NATO'S DEPUTY COMMANDER INTERVIEWED ON CRISIS MANAGEMENT

DW271008 Bonn DIE WELT in German 27 Mar 80 p 3 DW

[Interview with Gen Gerd Schmueckle, NATO Deputy Supreme Commander Europe, by Cay Graf Brockdorff, date and place of interview not given]

[Text] WELT: Is it with a good and a bad feeling that you are leaving NATO and the Bundeswehr?

Schmueckle: I am leaving them with a mixture of hope, optimism and concern. I hope that NATO will overcome crisis steadily as in the past. I am confident that the integration of the armed forces of the different nations will be further consolidated, but I do have a fair amount of concern.

The integration is an unbelievable success unprecedented in military history. The harmonization of the policies of the alliance states has not yet reached the same point. This is my primary concern. The second is the fact that the balance which existed for decades, which is the best precondition for the preservation of peace, has been disturbed. It was disturbed by a Eurostrategic threat being established by the Soviet Union, to which Chancellor Helmut Schmidt was the first to draw attention and, as the chancellor also saw correctly, by the Soviet thrust into Afghanistan. This shook the global balance. Now it is necessary to leave no stone unturned to restore that balance--either by a closure of the arms gap or by disarmament. But I am afraid that all efforts toward disarmament have suffered a setback through Afghanistan.

WELT: Suppose you were to set up a list of priorities, what would head this list?

Schmueckle: The solidarity of all alliance partners in the political sphere. To us soldiers nothing is so important as is a common political assessment of developments affecting our security. Without the common political assessment we cannot set up the appropriate defense, nor maintain it.

WELT: Don't you see the solidarity the politicians keep talking incessantly about?

Schmueckle: Just take a look at the newspapers. They produce a picture for both the citizen and the soldier of a variety of opinions. NATO would be the ideal place for harmonizing these divergent views before we reach the open market. What I advocate is that different interests in the alliance be ironed out behind closed doors.

WELT: You are dissatisfied with NATO's crisis management and recommend reforms. Why?

Schmueckle: We have outstanding heads of state, foreign ministers, defense ministers in NATO. We have brilliant diplomats in Brussels, we have one of the most experienced secretaries general (Joseph Luns--DIE WELT) the alliance has ever had. Nevertheless, the crisis management by the alliance does not seem to me to be adequate when swift action is needed. This is why I suggested contemplating a sort of crisis cabinet in Brussels in which divergent views might be harmonized. It would also be possible to set up ad hoc groups, as proposed by my former superior and friend, former German ambassador to NATO Grewe.

These groups of experts could look into a crisis and then present their findings to the NATO council so that it could arrive at common conclusions. I know of no better place for crisis management than NATO. A telecommunications network converges in NATO, and it has computers on which we spend billions of dollars. This system is unique in the world for conveying military and political information.

WELT: Critics will argue that NATO already has ample mechanisms for crisis management.

Schmueckle: We have made the decision-making process much too broad. Naturally you can do that by having everybody present in all institutions or by setting up small institutions. I prefer the small institutions. The time has now come when we must reconsider our structure once again on questions concerning crisis management. If national interests collide in the NATO council without any preparation then one must watch out lest the participants talk past each other.

WELT: The hour of meditation?

Schmueckle: You might call it that. I am thinking of Churchill's warning in 1955. He said at the time that we have made great headway in the international situation, on the one hand because we have reached solidarity in the West through our policy, and, on the other hand, because we have set up a common defense. But in the event the favorable development continues, Churchill went on to say, we cannot rule out that the nations could be inclined to part ways again. Then the greatest catastrophe ever experienced by mankind would occur.

WELT: Ever since Afghanistan we inevitably end up with the question right away of whether the Europeans at large and the Germans in particular have not drifted too far away from the Americans.

Schmueckle: Should European policies develop in one direction and U.S. policy in the other, then their armies will sooner or later adapt to these directions. This is inevitable. Yet military integration is the core of the alliance. Nothing in NATO is as important as is this core, which must be protected. I would have liked it much better had policies been integrated and we soldiers had lagged behind. But we have taken the opposite course. The military people worked as the pacemakers. Hence my hint to the military core. With regard to security policy the Europeans would not stand a chance without the Americans.

[DW271030] WELT: So nothing works any more in Europe without America?

Schmueckle: That is my opinion.

WELT: What is the position of the Germans in the alliance?

Schmueckle: We have an excellent Bundeswehr, but we ought to be always one among many.

WELT: Well, one hears other things also. In the top echelon of the Bonn defense ministry there is a tendency, very much in contrast to the official statements, toward thinking that we can do everything better. The NATO commander in chief, General Rogers, is said to be more of an executive organ.

Schmueckle: I personally have not heard that idea as sharply as you have--it may exist however--but I can only connect it with nationalism, which is becoming visible in Europe and which I consider a dangerous explosive in the alliance. As I said, the Bundeswehr is an excellent army. But I must warn against overrating it or considering it a political weight that could be decisive in the international game of forces. Without the United States or the other NATO members it would be nothing.

WELT: How should the Federal Chancellor and the defense minister act vis-a-vis the NATO commander in chief?

Schmueckle: It was an old German policy, and with regard to the present German chancellor I have not experienced anything different, that we supported the position of the supreme commander of the allies because his strength is simultaneously also the European member states. Whenever there were difficulties I have always found an open door and the greatest help on the part of the chancellor.

WELT: Some politicians consider the NATO commander in chief only a supreme soldier, something like a subordinate of German policy.

Schmueckle: The commander in chief is the only soldier of the alliance who is permitted to negotiate with governments. He is permitted to conclude treaties that are valid under international law. He can delegate some of his authorities. General Haig during his time delegated some of his tasks to me. That can be done only by the commander in chief and by nobody else. To that extent the NATO commander in chief naturally has a political mission. He has a diplomatic mission and he has a military mission. All who have sat in that chair have, after a certain preparatory time, become outstanding figures on the European scene.

WELT: It is said in connection with the decision to close the arms gap that the Americans want to rid themselves of the responsibility and make Europe a separate theater of war.

Schmueckle: Plain nonsense. The Americans have stationed many troops here which then would have to be sacrificed. They are prepared to come to Europe with enormous reinforcements. It is illogical to say that they want to keep out. Without the introduction of the new nuclear arms according to the December decision of the alliance we would have a considerable gap in our deterrence setup, and that would involve Europe. We have not been pressing for the Pershing-II. We have been forced to close the arms gap because the Soviets have set up a strategic threat which came rather as a surprise for us. So we are catching up. If one turns things around by saying that we are creating a new threat, this is grotesque.

WELT: Have we embarked on the right way in the Vienna MBFR negotiations on troop reductions?

Schmueckle: The way is right. The Vienna problem is that the West demands too much and too quickly. Such processes must continue. At the moment they have been severely upset by Afghanistan. But I believe that such a body should exist where the Warsaw Pact and NATO ought to negotiate open problems with each other. The danger remains that the Soviets in the long run could remain prisoners of their own propaganda. If we succeed in Vienna in slowing down the speed of armament, we will have gained much. We are constantly being confronted with new inventions. The Soviets are already working on their new tank, the T-80, which will create new problems for us. So matters are probably escalating faster than the diplomats manage to catch up with in their negotiations.

WELT: You are considered a man with a visionary talent with regard to future developments. Where does the trend go?

Schmueckle: The global extension of the threat continues all the time. It is unavoidable that we must deal with that problem. NATO must improve its image vis-a-vis the developing countries. In 1978 the NATO states supplied 80 percent of the development aid; the entire Warsaw Pact merely 0.5 percent. I do not support the idea of extending the firmly drawn defense limits of the alliance. That would be a dangerous way. But in the consultation process of the alliance we must view developments outside the limits of NATO.

My great concern is the Soviet armament in all fields, we must slow it down in arms negotiations. Afghanistan makes the Soviet border longer and it will supply the Soviets with further justifications for even more armament.

One of the greatest concerns is the naval policy of the Soviets. It reminds one of the German naval policy after Tirpitz. I fear that Soviet naval policy is subordinating itself more and more to foreign policy. We must create a balance in the world because we can achieve security only through armament. Disarmament will have a chance for success only if we set up controls on both sides. We need inspections which the Soviets have so far always objected to. But a more than half-hearted disarmament must be linked to controls. What do the communists say: confidence is good, controls are better.

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## VEIL INAUGURATES EURONET DATA TRANSMISSION NETWORK

Paris L'USINE NOUVELLE in French 14 Feb 80 pp 62-63

[Article by Eric Le Boucher]

[Text] The system for transmission of scientific and technical data in Europe is being put together little by little. After TRANSPAC [expansion unknown] for France, here is EURONET for the nine countries. Managed by the ministries of posts and telecommunications of the various countries, EURONET has "private networks" as competitors.

On 13 February, Simone Veil, president of the European Parliament, inaugurated EURONET, a European network for the transmission of data whose principal objective is "to permit real-time access of European users to the scientific and technical data bases located in the countries of the EEC [European Economic Community]."

To this end, four principal switches will be available in London, Frankfurt, Rome and Paris, as well as supplementary "links" [noeuds] with Dublin, Amsterdam, Copenhagen, Brussels and Luxembourg, while discussions have been undertaken with Sweden, Greece, Spain and Yugoslavia.

The first step in the linking of European data transmission networks (TRANSPAC in France, IDN [expansion unknown] in the Federal Republic of Germany, the PSS [expansion unknown] in Great Britain, etc.), EURONET, however, sees its interests tied to expansion of national networks and their technologies.

EURONET uses the "by packets" technology of the TRANSPAC kind. This will be good cause for satisfaction for French posts and telecommunications to the extent that unification of the technologies of the European networks is proposed at once. And there is a good battle shaping up....However, the situation at present is rather anarchic.

Moreover, the fact of the matter is that EURONET, a public network, has no real existence unless the national public networks are strong in the face of the "private" networks of builders or service companies, particularly the Americans. While Germany, a simple example, will not have its IDN network ready until 1981.

Total European agreement with regard to technology and data processing industries is at stake in EURONET. Such agreement is still very tentative.

**NORDIC COUNCIL CONCLUDES SESSION; NO PROGRESS ON PROBLEMS**

Finn CP Rebuked by Willoch

Solo AFTENPOSTEN in Norwegian 5 Mar 80 p 3

[Text] Reykjavik, 4 Mar--During the Nordic Council's general debate on Thursday, parliamentary leader of the Conservative Party, Kare Willoch, made an urgent request to Finnish communists to refrain from misrepresenting Norway's security policy. Willoch asked for the floor on the background of repeated assertions from Finnish communists that storage of American equipment in Norway constitutes a serious threat to security in Northern Europe. Finnish communists--who know better--should make clear to their Soviet friends that aggression from Norway is unthinkable and absolutely impossible, Willoch said.

"There are no American bases in Norway and no changes are at hand regarding Norway's policy on bases. If there should be any change in this policy concerning bases, then in that case it would be an internal Norwegian matter, but there are no plans in that direction. Norway's policy on bases stands firm," Willoch emphasized.

Foreign Minister Knut Frydenlund says in a statement:

"Norway is the NATO country that has set the greatest restrictions on nuclear weapons, bases, and maneuvers. This is a fact that Finnish communists, too, should value as a measure that creates peace and confidence, rather than casting doubt on Norwegian policies."

It was primarily a statement by the Finnish communist Inger Hirvela that elicited the strong Norwegian reactions. Hirvela reminded her listeners that when the Nordic Council was established, it had not been many years since the Soviet Union had driven Hitler's troops from occupied Norway and from the military base on Bornholm. They were driven from northern Finland by the Finnish army. Since then, there has been no real threat against the boundaries of the Scandinavian countries, but today, almost 30 years later, the NATO countries decide to increase their armaments and have plans to store weapons and equipment meant for American troops in

Norway. It is not difficult to figure out who the potential enemy is, which raises the question of just how sound the reasoning is behind the provocative suggestions of a so-called "Soviet threat," said Inger Hirvela. She continued, "One gets a justifiable feeling of uneasiness that the stable security situation in Northern Europe is about to change. The installation of nuclear missiles in Western Europe and the surrounding ocean areas, as well as the plans for storing supplies and equipment for American troops on Norwegian soil, constitute a serious threat to countries that do not belong to the military alliance, as well.

It is not difficult to understand, Hirvela said, how the hard-pressed people in the northern regions of Finland perceive the situation today. Instead of the increased economic activity they have been waiting for, they are hearing various plans for a military buildup. I hardly think I am exaggerating when I assert that the uneasiness among the people on the Swedish and Norwegian side is at least as great.

"Do we still need to ask why the struggle for peace is an integral part of Nordic cooperation," Inger Hirvela concluded.

The Conservative Party's parliamentary leader Kare Willoch asked immediately for the floor and said, among other things:

"It is understandable that the Soviet Union's special friends, under the current conditions where the entire world is shaken over the announcement of the Soviet occupation of a neighboring country, feel a particular need to attempt a kind of defense of the Soviet Union, but what is not understandable is that members of this council can build on the misconception that the defense of Norwegian territory can be used as a starting point for attacking our neighbors. If the members of the Nordic Council who also consider themselves friends of the Soviet Union really want to make a contribution to settling the uneasiness, it seems obvious that, from their knowledge of Norwegian politics, they should make perfectly clear that Norway can have no aggressive intentions."

"The actual situation is that the forces in question on the Norwegian side are trifling compared to those on the other side of the border. This, too, makes it perfectly clear that all the Norwegian measures in this area are purely defensive in nature," Willoch emphasized.

It is dangerous, he said, if misconceptions of Norwegian policy are allowed to spread. Why cannot the Finnish communists--who, after all, have knowledge of the situation--contribute toward removing the misunderstanding? After all, they can ascertain for themselves what the actual situation is.

The Finnish Minister of Education Per Stenback said that this verbal exchange could, of course, be labeled a tradition, but he added that there is unfortunately a risk that such statements from certain members of the Finnish delegation may be misunderstood in Norway. Thus, there may be

reason to point out to our Norwegian friends, he said, that the uneasiness that everyone in Scandinavia feels toward increasing international tension, at least in Finland, is not characterized by any mistrust of Norway's intentions in the realm of security policy.

"We are convinced that, now and in the future, Norway will handle its security policy in the manner that best serves the country's own interest and thereby also the interest of neighboring countries," the Finnish minister of education explained.

Leader of the Swedish communists, Lars Werner, said during the general debate on Thursday that detente has received a new blow with the decision by NATO to modernize the alliance's nuclear missiles. "This is a threat to Sweden and our security policy and also a threat to the military balance in Scandinavia," Werner maintained, while also emphasizing that the Soviet invasion of Afghanistan has drastically affected attempts to decrease tension.

Werner could not understand how the Nordic Council could fail to discuss these questions, which are of such vital importance for the future of the Nordic countries. This is not to say that such a discussion within the council will lead to resolutions, but he was convinced that a debate over security policies would have a positive effect.

"A popular movement should be created against the madness of armaments," said Werner, who said that the Kekkonen plan for a Scandinavia free of nuclear weapons was a positive and correct initiative.

Denmark's Prime Minister Anker Jorgensen labeled the invasion of Afghanistan an offense against one of the most fundamental principles of international relations--respect for self-determination.

For the Nordic countries--and for many other countries--the tense situation must give rise to serious worry, he said. Attempts to reduce tension are also of fundamental importance in our efforts to further peaceful cooperation, despite ideological differences. Our chances to make a contribution here depend to a great extent on the general climate between East and West. Because of its actions, the Soviet Union must take responsibility for raising doubts concerning the tenability of detente.

On the other hand--and here, perhaps, the Nordic countries have special possibilities--we must do whatever possible to save the process of detente, Anker Jorgensen emphasized. We do not want to contribute to an unnecessary escalation of antagonism. We must do what we can to put things back on the right track, but it is difficult because we, too, have been shaken.

Denmark's prime minister hoped that the proposal to return Afghanistan to the status of a non-aligned country could prove capable of satisfying both the understandable, legitimate security interests of the Soviet Union and the West, as well as the fundamental consideration for Afghanistan's right to determine its own fate. Denmark--and I think I can safely say,

the other Nordic countries--wants to do its best to restore faith in the process of detente and the solving of conflicts through negotiations, Anker Jorgensen said.

#### Concrete Proposals Wanted

Oslo AFTENPOSTEN in Norwegian 8 Mar 80 p 20

[Text] Reykjavik, 7 Mar--The future of Nordic cooperation will depend to a great extent on what decisions are made in the areas of economics, energy, and industry, political vice chairman Kjell Magne Bondevik of the Christian People's Party emphasized Friday during the Nordic Council's economic debate. Bondevik pointed out that we are currently in a stage of economic and political cooperation where many people are feeling impatient and want to move forward.

The Swedish-Norwegian negotiations for increased cooperation in energy and industry policy have been without results and Bondevik said there is a need for Nordic coordination on this point. He welcomed the report from the Nordic Council's economic committee in which the need for Nordic cooperation in the industrial sector was emphasized.

The committee's report, which was accepted at the plenary session, proposes a study of what possibilities exist for Nordic cooperation for state-owned industrial enterprises. Further, a study is requested to find out if special expertise on industry policy can be created at the Council of Ministers' secretariat in Oslo. To promote the establishment of Nordic industrial enterprises, consideration will be given to introducing a Nordic form of corporation. The idea is that such a company will automatically gain its right and business prerequisites in all the Nordic countries.

Bondevik linked this proposal to a statement made by the Nordic Professional Organizations in connection with the session and also the proposal made by Volvo chief Pehr G. Gyllenhammar. The goal should be, Bondevik said, to achieve cooperation among companies in the Nordic countries and for the state authorities to have an organizational function without themselves being parties to the joint ventures.

"The Nordic countries stand together before great challenges. A major question in the days to come is how we can adapt new realities to our own economy so that we can protect employment and at the same time show the necessary consideration for the environment and resources. Through the Nordic Economic Research Council, the task should be to construct models for meeting the new problems," Bondevik said.

The Conservative Party's parliamentary leader, Kare Willoch, took issue with the statement that concrete projects are lacking. In reality, we have extensive cooperation between companies in the various Nordic countries, in spite of national boundaries.

### Investment Bank Role Debate

Oslo AFTENPOSTEN in Norwegian 8 Mar 80 p 20

[Text] The debate over the Investment Bank at the Nordic Council Friday ended with a sharp exchange between the Conservative Party's parliamentary leader Kare Willoch and Cabinet Minister Bjartmar Gjerde. "If Willoch's criticism is meant to cast suspicion on the leadership of the Investment Bank, I want to take issue with it," the cabinet minister said. Willoch answered by describing Gjerde's statement as unusually insinuative: "The minister does not speak directly of suspicion, but gets the idea across just the same. I do not wish to participate in this type of debate," Willoch said.

The parliamentary leader of the Conservative Party pointed out errors in the Investment Bank's report with regard to loans to small and medium-sized companies. He pointed to this statement, especially: "Around 10 companies, mainly from Finland and Norway, are however small and medium enterprises, with no affiliation with conglomerates."

"Unfortunately, this simply does not turn out to be the case," said Willoch, who said that on this point the report was more deceptive than instructive. He produced concrete examples from a list the Nordic Council's economic committee received from the bank.

Only four loans were granted to small and medium companies. This corresponds to 0.4 percent of total loans.

Cabinet Minister Gjerde found it heart-warming that Willoch said the bank must be able to carry out its tasks as well as possible. "Willoch has never been fond of the Nordic Investment Bank and has reminded us of that on every occasion."

Gjerde continued: "If Willoch's criticism is meant to cast suspicion on the leadership of the Investment Bank, I want to take issue with that. It seems to me, on the contrary, that the leadership deserves our praise and thanks for what it has done."

In his reply, Willoch described this as an unusually insinuative statement in a debate of which he, for his part, wanted no part.

"The minister seems to be sensitive to the criticism. But what is the point of taking up the bank's report at the Nordic Council if we do not take a critical look at it--and, moreover, be criticized for bringing up justifiable criticism, the Conservative Party's parliamentary leader wondered. Willoch also countered what he described as raillery on the part of Cabinet Minister Gjerde. "Is it wrong to point out the harm done to Oslo Harbor when loans are given to Gothenburg Harbor," he asked. "Also, the minister is trying to present it as something new when I say

that the Investment Bank must be able to operate as well as possible. That is nothing new at all," Willoch pointed out.

Gjerde replied: "I can only express my regret if Willoch did not expect us to answer his criticism. In addition, we deny that the bank's activity has been harmful to Norway. It has been beneficial to Norway, emphasized the cabinet minister, who believed that Willoch's criticism was not meant to cast suspicion on the Nordic Investment Bank's leadership.

The majority of speakers in this debate were Norwegians.

#### 'Forum of Lost Visions'

Oslo AFTENPOSTEN in Norwegian 8 Mar 80 p 3

[Text] Will the Nordic Council hereafter be a forum for lost political visions? After 5 days of hectic activity in meetings, the 28th session of the Council came to a close yesterday afternoon in Reykjavik without coming a step closer to solving the pressing common problems in connection with economic, energy, and industrial policy and especially with the development of data technology. According to Olof Palme, data policy will be an acid test of Nordic cooperation's ability to attack vital problems of contemporary man. But after practically all the top Nordic politicians have met together for a week, it can only be concluded that the lack of drive and political desire, of imagination and foresight, have never been more evident than now. It was a session characterized by resignation and passivity.

Of course, it is of no benefit to Nordic cooperation, no matter how many well-intentioned recommendations are made to the governments, if they are not followed up and put into practical political action. The value of the many resolutions, not to mention the numerous studies of questions and projects, depends on the capability and desire to go further.

And here, Nordic cooperation is characterized by a condition that, without doubt, must be called a crisis in resolve. This is serious, even down-right fatal for the Nordic Council and other cooperative agencies. If it is desired that the authority and credibility of the Council should make their mark on the people, it must be able to produce results in areas that have a direct bearing on people's daily lives. In these areas it is necessary to demonstrate a minimum of drive and vigor.

Of course, one might speculate over the reasons for the slowdown in Nordic cooperation. Chairman of the Norwegian delegation, president of parliament Guttorm Hansen, was perhaps on the right track when he expressed the following sentiments during a meeting of the Nordic Social Democrats' section in Stockholm:

"We have a lower surplus of political desire and energy to put into this area. It is seen as being of less importance now than previously, because today's pressing national problems overshadow all else."

And as far as the Social Democrats are concerned, it can be stated with certainty--which Guttorm Hansen also admits--that today there is less interest and sense in the Nordic cause than there was among Social Democrats of the fifties and sixties. To a great extent, this is also true of the non-socialist parties which, to be sure, have never displayed any great zeal in promoting Nordic cooperation through concrete initiatives of any great dimensions.

But give credit where credit is due: the Nordic Council's history has also had several Nordic personalities from the nonsocialist parties--politicians who, by virtue of their vision and capacity for work, have played a significant role in the development of practical Nordic cooperation. The two men from Tronde, Jon Leirfall and John Lyng, who both were originally very cool toward the Nordic Council and everything having to do with it, eventually came to render an important contribution as Nordists --Leirfall as an extremely imaginative chairman of the traffic committee and Lyng as a member of the presidium. And more names could be mentioned, even though their respective parties had an attitude of a relative lack of involvement in efforts toward Nordic cooperation.

It is the same today, also. While the Social Democrats have tried to some extent to coordinate their political efforts, the nonsocialist party groups seem to come to the Nordic Council's sessions with no prepared plan--apparently, with neither goals nor opinions. There are few, if any at all, who feel a sense of responsibility for finding answers to the challenges and problems of a new age through practical Nordic cooperation. If this passive and resigned attitude becomes the party's distinguishing feature from session to session, then this will of course characterize the activity of the Nordic Council as a whole.

There is one thing lacking even at the outset: Nordic cooperation is not really taken seriously. Regardless of party affiliation, no one is asking what concrete goals shall be achieved by participating in inter-Nordic cooperation. As one prominent politician expressed it: We choose instead the easy way out and soothe our guilty conscience by putting some money into studies of problems and projects, while we neglect to act.

During the session in Reykjavik, there are many--both politicians and observers--who have asked themselves what will remain of organized Nordic cooperation in 10 or 15 years if the present trend continues. There is reason to believe it will not be very much.

But it is perhaps this realization itself that is needed so that Nordic cooperation will receive new life. As soon as possible, the Nordic Council's presidium should take the initiative and call a new meeting with the five prime ministers to take stock of the status of Nordic cooperation: Where do we stand today? What goals shall we set for future cooperation? Is there a need for stronger political guidance, and if so, what course of action should be taken?

The answers to these questions can be decisive for Nordic cooperation in the years to come.

**FOREIGN MINISTER WOULD KEEP JAN MAYEN APART FROM OIL DEAL**

Reykjavik MORGUNBLADID in Icelandic 8 Mar 80 p 48

[Unattributed article: "Olafur Johannesson, Minister of Foreign Affairs: Nonsensical To Combine the Oil Purchase and Jan Mayen"]

[Text] "Combining of the oil purchase with Jan Mayen has not entered my mind. I think that this is out of the question and reports that I have been considering such a thing are nonsense," said Olafur Johannesson, minister of foreign affairs, when MORGUNBLADID asked him yesterday whether or not Iceland's possible Norwegian oil purchase would be taken up in talks next month on Jan Mayen.

A reporter of the Norwegian paper NATIONEN, who is here attended the Northern Council meeting, wrote a report in his paper on the matter to the effect that Iceland had made it known informally that Norwegian oil could be an item for negotiations in the discussions for an agreement on Jan Mayen.

Olafur Johannesson said that no decision had been reached yet on when next month the Jan Mayen talks would begin but said that it was most likely that they would be held in Reykjavik.

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CSO: 3111

## BRIEFS

OK FOREIGN AID TO PARTIES--Reykjavik, 6 Mar--By a clear majority, the Nordic Council has voted down a proposal to study the possibility of forbidding the political parties from accepting support from abroad. A total of 42 council members did not even want the possibility of such a prohibition to be studied, while 17 voted in favor. There were 11 abstaining, including members of the Conservative Party. The proposal for the recommendation was advanced by Conservative members Astrid Gjertsen, Norway, Ragnhildur Helgadottir, Iceland, and Ingrid Sundberg and Haakon Winberg, Sweden. [Text] [Oslo AFTENPOSTEN in Norwegian 7 Mar 80 p 2] 9336

CSO: 3108

## ECONOMY STRESSES SECURITY, RETARDS DEVELOPMENT SAYS ENGINEER

Copenhagen BERLINGSKE TIDENDE in Danish 11 Feb 80 p 7

[Reportage by Rasmus Vigen]

[Text] Since 1973 we have delivered an ever growing share of our gross national product to foreign countries--i.e. countries with raw materials. As the demand grows, so do prices and the only way we can stop giving up more and more of our earnings is to refine these raw materials and sell them at a high price. Refining of raw materials and the superior know-how we posses, and will continue to maintain by virtue of intensive research, will be the magic formula needed to solve Denmark's economic problems."

Civil engineer Gunnar Idorn, with a Ph.D. in engineering, is concerned about the present development of Danish research and, consequently, Danish industry. Idorn is an independent consultant to the government as well as industries at home and abroad. He is presently working with new forms of silicate extraction for the Icelandic governments and is preparing cement and concrete research analysis for the United States. The Seventh International Cement-Chemistry Congress in Paris this year selected Gunnar Idorn president of the concrete session.

#### "No" to Anything New

"Denmark today is characterized by a fatal security narcomania that could destroy the country's economic foundation far more effectively than any crisis," said Gunnar Idorn. "This sense of security is symbolized by a big "no" to anything new because new developments and technology carry with them great upheavals that lead to social insecurity."

Unfortunately, research and technology are viewed as a monster which must be fought with great force because of the social changes it brings and because we are being pulled away from something we are used to. Research, in many instances, ran amuck due to the wave of prosperity in the sixties. Occasionally we had catastrophes, which became so well embedded in people's minds that we still ignore forms of research that are necessary if we want

to survive the crises that await us in the next 20 years. You must remember that were it not for the intensive research projects of the sixties, we would not have the social benefits we are enjoying today.

We have twice experienced crises similar to those we are now entering. In the beginning of the 1800's our nation went bankrupt when we lost both Norway and our fleet. We had used up our resources and plundered our forests, but we were still willing to take considerable risks as we started to build on our ruins and the steam engine, in particular, played an important role here. The same happened after 1945 when we also risked a great deal as we plunged into rebuilding the nation's industry, our communication system etc. Research also played an important role here and we are especially indebted to the airplane and to electronics for the significant leaps ahead."

#### Refining

"Every time we say "no" to a large building project in this country, we also say "no" to the only real resources we posses, namely developing our know-how," Gunnar Idorn continued. "We cannot continue to get by on the basis of a reputation that is almost 20 years old. We must develope a far more fundamental and refined know-how. We must simply continue to work on the process of refining raw materials until we become one of the leaders in the market—and thus indispensable.

At present, the rate of growth per product generation is about 12 percent and that is too little; it should ideally be about 25 percent. Energy conservation is one area we could begin to concentrate on. Unfortunately, LO and DA are both committed to the security aspect, which dates back to the sixties, and there is no indication of a change in attitude.

By sending students to the United States to learn marketing and technology we delay our own progress by 10 years because the United States is also in a crisis, far worse than ours. The United States is following a pattern that was established in the sixties and the pattern has not been updated--in other words, it is outdated."

#### Little Capital

"Business activities at home yield so little profit that it becomes increasingly difficult to lay aside money for research," said Gunnar Idorn. "In addition, LO wants to introduce cost-of-living allowance, which is just an extension of the security narcomania. To be sure, that means an improvement in wages short term, but long term it will be disastrous for Danish industry.

Educational institutions have so little money to work with that they are unable to properly educate future researchers and the research they normally do is totally inadequate. We will, have to establish trade-oriented colleges.

This way we can let schools and basic educational institutions concentrate on giving the students a good basic education, which can later be expanded upon by colleges.

It will be necessary to reinstate the decentralized research policy we had in the fifties and sixties. The system is now becoming more and more centralized, which means that research is being directed by one department after the other. Much of the capital which has been made available for research is being absorbed by these passive committees, none of which do any research. Furthermore, there is much less professional research today than ever before because the great many government officials do not have adequate contact with industry, where things actually happen.

If we want to maintain a high standard of living, we must do it on know-how which we can sell at a high price. If we fail to sell ourselves, it will be the end of Denmark's economy," Gunnar Idorn concluded.

8952  
CSO: 3106

**BUSINESS LEADERS PREDICT DECLINE IN EMPLOYMENT, PRODUCTIVITY**

Copenhagen BERLINGSKE TIDENDE in Danish 31 Jan 80 p 13

[Text] The economic crisis is beginning to affect industry. At the beginning of the year, one in five industries had excess production capacity, either in the form of idle machines or unused buildings.

This is according to a recently publicized industrial "economic barometer" prepared by Danish Statistics. The "barometer" is based on information supplied by the top management of approximately 650 large industrial firms, which together provide 60 percent of all industrial employment.

For the first time in 2 years, industrial managers are clearly pessimistic about the very near future. Industry as a whole expects a decline in productivity as well as employment during the first quarter of this year, compared to the last quarter of 1979. Orders are also expected to drop in the next few months.

Capital-dependent industries will suffer the greatest decline in productivity and employment and the Council on Industry does not deny the fact that the declared halt in agricultural investments play a decisive role here.

The consumer goods industry will have the least decline in productivity and employment.

**Shortage of Manpower**

The reversal came after 2 years of constant growth in industrial productivity and employment. Verner Puggaard, head of the Council on Industry: "There is obviously a break in the line of growth which has marked Danish industry since the second quarter of 1978. We are facing a period of economic decline."

Even though one in five industrial firms report excess production capacity, there are also concerns with the opposite problem: eight percent of them report that their production apparatus is not big enough. These companies are operating at peak levels and these few are likely to attract the new capital.

Even though the economic decline is beginning to affect industry, there is still a considerable shortage of manpower. One in eight industrial firms report that a real manpower shortage prohibits or limits their productivity. This situation exists despite the fact that there are more than 150,000 registered employed in the labor market.

Verner Puggaard told BERLINGSKE that the manpower shortage is probably even greater than that indicated by the "economic barometer." Many firms are getting by with overtime work because they cannot get the right people, but for one in eight companies (12 percent of all industrial firms) not even overtime can meet the demand.

#### Intermediate Products

The industrial sector with the greatest excess production capacity today is the "intermediate products industry," which includes the entire building materials industry, as well as the chemical and the textile industry. In this sector, one in four firms have idle machines and unused buildings.

Danish Statistics' "economic barometer" has been changed somewhat, compared to earlier when top industrial managers were not asked about utilization of capacity.

These new and gloomy industrial figures came only 2 days after Danish Statistics publicized its "barometer" for the building and construction sector. These figures show there is the prospect of a "very severe" setback for the building and construction sector in the next few months.

Despite the gloomy outlook for the building industry, one in five or six construction companies still report a shortage of manpower. That is the greatest manpower shortage in the building sector at the turn of the year since 1973/74.

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CSO: 3106

## EXPERTS IN NEW BOOK CRITICIZE COUNTRY'S ENERGY POLICY

Copenhagen BERLINGSKE TIDENDE in Danish 27 Jan 80 p 12

[Reportage by J.J. Kjargaard]

[Text] Experts are turning Danish energy problems end for end in a new book, publicized with the aid of several research councils and the National Economic Society, and they are not optimistic about the situation.

This book summarizes the debate at a closed symposium, sponsored by the research councils'energy committee at the ISS Management Center in Holte during the middle of October last year, just prior to the election. At this symposium "ivory-tower scientists met with experts from industry, power companies and ministries, with whom they have had too little contact as a whole." The above is a quotation from the preface, written by the chairman of the committee, professor L. T. Muus with the Chemical Institute in Arhus.

Professor Ebbe Indegaard with the Economic Institute in Arhus edited the book, which will now be sent to the members of Parliament. Others may buy it in a bookstore for 50 kroner. A good buy. The symposium's report could be a valuable reference book and the basis for a more substantive public debate on the complicated problems of energy.

"In our opinion, the book's strength lies in the fact we were able to get contributions from a number of government officials, economists and technicians, who are directly responsible for solving our energy supply and research problems," professor Muus told BERLINGSKE.

"Here different views are expressed objectively, void of unpleasant and emotional overtones.

According to custom, Denmark was slow in dealing with the oil crisis, which is threatening our welfare, with the exception of a few panic measures. But now we can see the beginning of a new energy policy in Denmark, including a heating supply plan and the introduction of natural gas. We can also see pieces of an energy research and development pattern, even though our efforts continue to be too small and too scattered, considering the problems we have in Denmark.

Professor Muus is disappointed that the public debate is characterized more by demagogic than by objectivity.

The new book should serve as an aid to lift the level of the discussion by pointing to the need to decide the priority of the different technologies, both with respect to time and quantity. Such planning is urgently necessary if we want an appropriate use of the eventually rather large resources that have been earmarked for research and development in the area of energy.

#### Better Subsidy Policy

Delegates to the symposium expressed doubts about the subsidy policy with respect to permanent sources of energy. The fact that the subsidy quota was used up, i.e. reserved, only a few weeks after it was granted, shows that something is wrong. But the most important problem, no doubt, is that the rules governing the appropriation of these funds are not firm enough. Anybody can get subsidy for an approved alternative project. But, in a time of limited resources, it would be reasonable to reserve the money for that third of the country which is not expected to benefit from piped-in energy, gas or electricity. That was expressed by assistant director N.E. Busch from Riso. He also maintained that Denmark must develop competence in this area so that our firms can deliver reliable and competitive plants when the market opens up at home and abroad.

Solar and wind energy as well as coal are rapidly becoming more competitive due to sharply rising oil prices. The same can be said of nuclear energy—according to Niels W. Holm from Riso.

#### Supply Safety

"You could virtually break the economy by raising nuclear safety demands, although that would be difficult," said Holm. "Safety measures comprise about 15 percent of the total cost of projects under way today and most of the justifiable safety demands, those raised following the Three-Mile accident, can be met by resources that belong in the peppernut class."

The paramount question, of course, is whether politicians and the populace want nuclear energy at all. That decision rests on a very complicated synthesis of knowledge, evaluation and feelings which I shall refrain from commenting on.

But, looking at more tangible matters, I must mention the balance of payment and supply safety as being among our most important political crises.

Later in this century, a combination of political conflicts in the Middle East and the fall of white regimes in Africa could have a momentous effect on our oil and coal supplies.

I do not consider such a combination particularly unlikely and, if it does materialize, one or two nuclear plants could be a very decisive supplement to North Sea oil and gas supplies, as well as to the coal we must import.

Our balance of payment must also be viewed with increasing concern. I believe that the cost per kilowatt hour of electricity and heat produced with nuclear power will be small compared to oil and coal, even considering heavy plant investments," Niels W. Holm concluded.

#### Oil in the Desert

The Arabs could easily decide it would be better to keep the oil in the desert.

"If we want to sell more goods, we must guarantee producers a fair profit," said assistant director Jorgen Hansen with the Council on Industry. That could be done in three different ways:

1. We could raise the nominal interest rate. That is the easiest and the worst choice, which is now being practiced.
2. We could do more to check inflation in oil-consuming countries. That is the most difficult solution.
3. We could index the ceiling on debt and raise it as prices go up on those goods the Arabs want to buy.

These thoughts are actually being aired in trade organizations and central bank circles.

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CSO: 3106

## CONSORTIUM ACTS TO INSURE FIRMS SHARE IN NORTH SEA GAS

Copenhagen BERLINGSKE TIDENDE in Danish 27 Jan 80 p 5

[Text] The Danish Underground Consortium (DUC) is now going to help insure the greatest possible participation of Danish firms in the future development of North Sea gas centers. Instead of the normal call for bids, interested Danish firms have been invited to report next week when DUC will help them establish contact with foreign companies that are licenced to trade with other Danish specialty firms and actively involved in a kind of consulting service to Danish firms that have no experience in the special off-shore activity.

Thus, the Danish Underground Consortium has taken the sting out of one of the complaints aired by Energy Minister Poul Nielsen, namely that Danish industry's participation in the North Sea project has been too little so far. At the same time, A.P. Moller's Information Department reported that Danish North Sea investments have doubled, compared to last year, and are now about 1.5 billion kroner annually. We expect to maintain this level for the next 5 years. Our investments last year were approximately 400 million kroner, which was also double that of previous years.

According to Energy Minister Poul Nielsen, A. P. Moller can expect to get the heralded news by the end of January whether, according to the prime minister's annual message, our aim is to intensify Danish efforts in the North Sea with the help of DUC.

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## BRIEFS

LARGE D-MARK LOAN--Denmark has raised two loans in West Germany, each in the amount of 100 million D-Mark. That report was given to the Finance Committee in Parliament by Finance Minister Svend Jakobsen. One loan expires in 6 years, while the other is a 12-year loan. Respectively the rate of interest is 7.875 percent and 8.25 percent annually. [Text] [Copenhagen BERLINGSKE TIDENDE in Danish 12 Feb 80 p 1] 8952

CSO: 3106

COUNTRY SECTION

FEDERAL REPUBLIC OF GERMANY

HUNGARIAN TV INTERVIEWS SOCIAL DEMOCRATIC LEADER WEHNER

LD302252 Budapest Domestic Television Service in Hungarian 1800 GMT  
30 Mar 80 LD

[Interview with Herbert Wehner, FRG Social Democratic Party Bundestag Floor Leader, by Lajos Gubcsi and Mihaly Matrai--date not specified; recorded; Wehner in German with superimposed Hungarian translation; not possible to identify reporter asking questions]

[Excerpt] [Passage omitted] [Question] During the past decade we know that you were generally resolute and when necessary, you stood out in support of detente. Do you now belong to those who have buried detente?

[Answer] No.

[Question] Why not?

[Answer] Because burying detente simultaneously means we are in support of its opposite, i.e. increasing tension. Also, the reevaluation of the concept of detente could lead to doubt in people whether it is at all possible to live in peace in the eighties.

[Question] Are you taking into account that the Western boycott of the Soviet Union could [word indistinct] result in restricting the arms limitation negotiations or even in ending them?

[Answer] I am afraid of this. That is why as far as my abilities and strength allow I am endeavoring to make people understand that efforts must be increased, negotiations continued on arms control and limitation and finally disarmament. Otherwise the ending spiral of the arms race is unavoidable, and we will arm ourselves to death.

[Question] What concrete and realistic possibilities do you see in the files of arms control negotiations regarding for instance the troop reduction negotiations in Vienna?

[Answer] In West Germany, I belong to those who are admonished whenever the opportunity arises, and are moreover absurd because I am reproachful. Why are we actually not concerned with the proposals of the other party. For the ordinary citizen the Vienna negotiations have become absolutely confusing. I was and am glad when I heard and later read in more detail that Edward Gierek proposed at the Eighth PZPR Congress to convene an all-European conference in Warsaw about arms limitation and disarmament. I consider it a very good opportunity in the current chaos of information, allegations and opposing views that opposing parties should again reach the place where they had once been already in completely different field, at the Helsinki conference, i.e. to make efforts with joint responsibility to eliminate contradictions, to strengthen human relations between them, independent of different social systems.

[Question] I have read several reports that West Germany is currently endeavoring to bring about a so-called military balance. During the past 10 years in Europe, however, we have lived with the knowledge that military balance is a proven fact. What do you think about this contradiction?

[Answer] I am very critical of it, but I am convinced that the Federal Chancellor, the head of the West German government, means by balance in all honesty and seriousness the balance of the defense capability of the two parties, which means very simply that one party need not fear an unexpected surprise from the other. Negotiations must be held and can be held, and the agreements about peaceful coexistence and peaceful further development of contacts must be adhered to.

[Question] Now is there or is there no military balance in Europe?

[Answer] So-called specialists allege that there is no balance in certain areas, such as medium-range missiles. However I did and do still believe what the Social Democratic Party resolved at its Federal Congress last December in West Berlin. Regardless of the guarantee of balance by the West, proposals must be made to continue negotiations between the two superpowers and between countries belonging to the East-West Alliance Systems. Regarding this I am of the opinion that we should deal with each other in a respectable manner.

[Question] There is speculation that you seldom make yourself available to the press recently. Why?

[Answer] First of all I was not asked all that often, because what I have to say does not fit well into today's fashion. Secondly, whenever I was asked I always answered in the same spirit as I have answered you now. This is why I am seldom in the limelight, while at the same time they say I am keeping quiet because I have nothing to say.

[Question] Perhaps one more question to do with principles. Is there a greater danger to the independence of certain countries such as West Germany in such a tense situation than at the time of detente?

[Answer] One is not talking merely of threats as independence is already limited to a large extent. We all feel and live through this process now. It would however be beyond the scope of this discussion for me to prove all the details. In this area of Germany we live in a situation which is at variance with the average circumstances. Politically minded people cannot avoid recognizing a great danger. It would present a danger were the FRG to join the line of countries which would like to widen the conflict between the superpowers and by the cause of a conflict in Central Europe.

CSO: 2500

## YOUTH LEADER REPORTS ON TALKS IN MOSCOW

DW311016 Cologne Westdeutscher Rundfunk in German 0745 GMT 28 Mar 80 DW

[Excerpts from Inge Maertesheimer interview with Gerhard Schroeder, Chairman of the Young Socialists Organization's Federal Executive Board, apparently live by telephone from Bonn]

[Text] [Question] Did you, in your contacts, have a chance of doing some probing as to the readiness of the Russians to negotiate now with respect to Afghanistan, for example?

[Answer] Well, probing is not the proper word. Naturally we were interested in learning what the people there think. We made our position clear, which is different from that of the Soviets, our viewpoint being that they must withdraw from there. During the talks I gained the impression that the Soviet Union, too, has realized that the intervention there did not make international relations any better and that the Soviets therefore are seeking ways and chances for withdrawing. The manner in which this will be done was not discussed, but it was pointed out that an attempt must be made to improve the options through a multitude of talks of a bilateral and multilateral nature. The anxieties prevalent there are connected with the security of the Soviet Union. The question in this context whether these anxieties are justified or not, whether they are understandable or not, is not decisive. The anxieties exist, and they must be taken into account politically.

[Question] Did the point come up during the discussions what proposals the Russian side might be expecting, proposals, for example, that would be going beyond the neutralization proposal of the EC countries?

[Answer] I believe they do not talk about neutralization there. They are using the clear term of nonalignment. If there should be any chances at all for achieving a withdrawal, then surely this would be if and when Afghanistan returns to nonalignment on the one hand and if and when this nonalignment and the nonintrusion by outside states, possibly, will be insured by international guarantees, on the other. This is what seemed to be the trend of the talks there, the train of thought. They did not, of course, discuss any details with us, and we as the young socialists would have been the wrong interlocutors anyway.

[Question] And yet, in a different context, a possible readiness of the Soviets to talks is of interest to us. We remember that to many people the so-called arms-gap closure decision of NATO last November harbored the danger that this would spell the end of the talking. Some politicians, also on our side, said that talks on questions concerning armaments are not ruled out even now and that they were just waiting for a signal from Moscow. Did you feel any such seismographic rumbles there?

[Answer] In all conversations I had the impression that they want to continue negotiating also on questions concerning arms control and disarmament. This on principle. Further it was my impression that this is true even after the NATO decision. Nobody believes seriously that this decision might be rescinded prior to negotiations. And from this position quite naturally follows it is necessary to negotiate on the basis of this decision, surely with the objective of having it abolished. Though not concretely, what seemed to me to become plain in the statements is that this interest exists in having negotiations, even after the aggravation of the situation by this decision and by Afghanistan, also on questions of arms control and disarmament; negotiations which are not limited to mere SALT III negotiations but could also be held on other conceivable levels.

This was my impression approximately. But in that respect, too, we will be the last to be told what the game will be. But what they did tell us was that they had indicated receptiveness to negotiations in several speeches, for the last time by Brezhnev in February, so that they really are expecting our side to say for a change, first what such negotiations could be like and that, in the second place, they have made it rather plain that these negotiations to begin with would have to be of an informal nature and not have the status of formalized negotiations. So what they did was indicate that they expect talks to be held first on a level below that of official negotiations so as to fix topics and levels of negotiations in general.

CSO: 3103

## COMMENTATOR VIEWS CONSEQUENCES OF AFGHANISTAN IN EASTERN EUROPE

DW260857 Frankfurt/Main FRANKFURTER ALLGEMEINE in German 26 Mar 80 p 1 DW

[Editorial by Johann Georg Reissmueller: "What Do the East Europeans Think?"]

[Text] What is the will and what are the interests of the Eastern Europeans close to the Soviet Union after Afghanistan? It is hard to put that into a formula. There are nuances between the individual nations and tangible differences particularly in every individual country. Let us begin with the populace. It would like to rid itself of Moscow's predominance as quickly as possible. But that wish is checked by reality, by the power of the Soviet Union. So the populace at least wants limits to exist for that power--with the conviction that pressure on Eastern Europe could only increase if Moscow feels to be stronger. Behind it is the hope that some day a continuous decline of the Soviet Union will begin in the course of which the people who are locked up in the "camp" will regain their right to self-determination. That is a chain of motives which makes the greater part of the Eastern Europeans wish that Afghanistan should become a debacle for Moscow, that the West would pester the Soviet Union with sanctions while simultaneously becoming politically and militarily stronger. For the same reason the populace of Eastern Europe has welcomed the Soviet-Chinese splitup full of expectations at that time.

On the other hand, however, the populace of Eastern Europe fears that an aggravation of the east-west conflict could at least temporarily aggravate its situation, and that it could be a reason for Moscow to put an even heavier hand on such people of its imperium which it does not trust anyway. Such fears are particularly strong among those people who managed cunningly to make the Soviet accept their somewhat more tolerant internal conditions, such as the Poles, the Hungarians and the East Germans who have some alleviations due to the German policy peculiarities; less with regard to the Czechs and Slovaks who feel in an unchanged firm grip of the Soviets.

The Romanians, however, who have gained little in the past decades with regard to an inner reform but who have achieved a piece of national sovereignty, fear the following: could it not be possible that the Soviet Union would force Bucharest back into the bloc diplomacy when the wind of world politics will become icy?

Similarly split as the subjects obviously are the lower functionaries. Their belonging to a caste separates them from "the working people." But they live among the people, they hear and feel they think, and often they cannot but take over some of it. Even if this only seems to be the case--in the long run a two-track awareness will be created and sometimes similar action. This explains the phenomenon that low-ranking party functionaries are not much different in their feelings than the people, but that they must counteract that mood. We cannot but assume that the host of low-level functionaries in the east bloc does not wish the Soviet Union success in the Afghanistan adventure, yet they are afraid of potential consequences to their own country pursuant to a failure inflicted on Moscow by the West.

The interests of the high-level party nobility are different. (With the exception of Romania) they feel guaranteed in their existence and power by the Soviet Union, meaning dependent; as by an umbilical cord the party bosses and their people are tied to the Moscow politburo. This stratum is solidary with the Soviet Union also in the Afghanistan affair--albeit not to such an extent that they regard the venture with joy; they see new economic burdens looming ahead for the entire bloc as a result of it. Besides, Poland's Gierek and Hungary's Kadar fear for their political leeway, Honecker for the economic benefits and the political-psychological effect of relief of the special inter-German relationship. But none of the party leaders in the camp (barring Ceausescu) can seriously wish that the West would convert the land grabbing in Afghanistan into a world political defeat for the Soviets which might be a signal that Soviet imperialism has passed its zenith.

The West cannot orient itself by the interest in power preservation by the East European party leaderships. Even after the Afghanistan crisis, what the politburos of the smaller countries in the Soviet camp are wishing can be taken into consideration by the West as a potential motive of action or nonaction only to the extent as it reflects desires of the peoples. The West must watch the peoples of Eastern Europe. They seem to be torn between two interests: the one of seeing the disliked despot, the Soviet Union, halted, weakened--and the other of not losing the bit of domestic alleviation and opening toward the West which Moscow reluctantly conceded to them in the sixties and seventies.

The former suggests Western hardness toward Moscow, the latter a policy of carefully dosed reactions to Afghanistan. But the peoples living between the Federal Republic and the Soviet Union have yet another, important interest: that the West refuse to be pushed against a wall by Moscow and be made prone to blackmail. For if the world political balance is destroyed to the advantage of the Soviets, all peculiarities, all alleviations in Eastern Europe will be quickly over.

CSO: 3103

## BUDGET CUTS PLANNED TO COMBAT DEBTS, INFLATION

Hamburg DER SPIEGEL in German 17 Mar 80 pp 21-23

Excerpt from unattributed article: "Matthoefer Hard Pressed"

Text A bitter cabinet dispute over money: Hans Matthoefer intends to cut millions out of the budgets of almost all departments. The finance minister needs the money; he does not want to pay the costs resulting from the Afghanistan crisis by going even deeper into debt. Chancellor Schmidt has sided with Matthoefer. They both know that alarming rates of inflation are threatening them in this election year.

The unusual decree on a partial budget freeze in almost all departments is not the first indication of the iron will to economize on the part of the Schmidt/Matthoefer team.

As early as 31 January, the finance minister had notified his fellow caucus members in writing that he could not make any "further financial concessions, because I do not want to put the party in a position of having to retract promises of benefits after the election."

Those close to the minister heard even clearer evidence that this time Hans Matthoefer was serious: Several times in recent weeks the 54-year-old minister -- who beginning next year would be eligible for a sizable minister's pension -- has threatened to resign.

Helmut Schmidt, who frequently left Matthoefer's predecessor Hans Apel unprotected, is backing his present finance manager all the way. The head of government personally cut costly pension plans at a meeting of the SPD presidium on 22 February. In response to vigorous opposition, Schmidt had asked whether they wanted him to have to look for another finance minister before the election.

With backing from the chancellor, the present finance chief last week also destroyed once and for all any illusions the social liberals might have had

regarding capital formation: Contrary to Schmidt's official statements in 1974 and 1976, for the time being there will be no further government aid for FRG citizens who are would-be investors. There is no money available.

Hans Mattheofer is not playing the miser needlessly. Although contrary to the pessimistic forecasts of professional economic researchers, the FRG economy is indeed going quite smoothly, the persistent rise in prices has alarmed Bonn's economic policymakers.

The cost-of-living index rose by 5.6 percent in February. Industrial producer prices -- an early-warning signal for the consumer price trend -- are showing a disproportionately high 7.9-percent rate of climb compared to the annual average.

It is astonishing to the social liberals that the high prices have still had no effect on domestic policy. Says North Rhine-Westphalia Labor Minister Friedhelm Farthmann: "This issue is overshadowed by the international crisis."

The price index that has been rising for months can be attributed not only to the enormously high prices for oil. Some other raw materials as well have increased sharply in price. This year's total January imports cost 26.6 percent more than last year's.

Says Mattheofer's state secretary, Manfred Lahnstein: "It looks as though we'll have to prepare ourselves for a long struggle with inflation."

The FRG's economic experts can do precious little over the short term to combat the surging wave of inflation from outside. The prospects appear all the more dubious to them if now, in the wake of the Afghanistan crisis, they are going to have to spend more for defense or aid to developing nations without being able to cut back on other expenses at the same time. Additional outlays without corresponding cuts would drive the country's debt even higher, thus probably adding further fuel to the inflationary fire.

The finance minister is already struggling with a tremendous pile of debts. Three percent of the total budget was sufficient to pay the interest in 1973; this figure had increased to 5 percent by 1978; and in 1983, 9 percent of the budget will be spent merely to service the debt. Hans Mattheofer therefore prefers not to borrow a single pfennig more than the exorbitant DM 24 billion already planned for his budget.

And this means that several department heads will be getting a very close shave. Interior Minister Gerhart Baum, for example, will have to give up 100 million of his DM 3.65 billion budget; Economics Minister Otto Graf Lambsdorff is down for 190 million; and Research Minister Volker Hauff is bemoaning the loss of DM 170 million.

The ministers will have to give up many a program which they intended to play up in the election campaign. Environment minister Baum, for instance, will be missing 30 million for cleaning up the waters of the Rhine River and Lake Constance; purification of the air in the Ruhr District will have to cost DM 20 million less. State Secretary Hartkopf: "It's obvious where Schmidt's and Mattheofer's priorities lie."

Their frugality is not confined to environmental protection, however. Lambdorff, for instance, has to cut back DM 50 million on outlays for oil reserves; his colleague the finance minister will be getting back from him an immediate 120 million from shipyard subsidies.

Labor Minister Herbert Ehrenberg is irritated because now he may not get any money to improve the integration of children of foreign workers. Although this program was scheduled to cost only DM 4 million, Mattheofer is afraid of the increasing burden in the coming years.

The interior minister's state secretary, Hartkopf, has been able to retrieve for the sports associations only 4 million of the amount Mattheofer planned to cut. He pointed out to his colleague in finance, Guenter Obert, that this sum was to finance the trip to Moscow for participants in the Olympics. But according to the Interior Ministry official, it is his understanding that the chancellor has not yet made a final decision on whether the FRG will actually take part in the boycott. The travel allowance will remain in the budget for the time being.

Despite the finance minister's resolve, it appears doubtful that he can win the battle against the growing debt and home-grown inflation. Even if he is able over the long term to wrest DM 2.5 billion from the departments responsible for aid to Turkey, assistance to Pakistan and the Bundeswehr, the treasurer will not yet be out of the danger zone.

Last week it became apparent that the financial situation is even worse than Mattheofer had thought up to this point: The federal, state and city tax assessors came to the conclusion in their regular session that the federal government will take in DM 1.5 billion less in taxes in 1980 than the budget calls for.

Moreover, the high rate of price increases is arousing a new greediness. It seems to many of Bonn's Social Democrats to be scarcely tolerable in an election year that a mere 4-percent increase in income is programmed for pensioners; given a probable rise in prices of more than 5 percent, the retirees would have to accept a real loss in purchasing power for the first time. But sizable supplements could be financed only by the Bonn treasury.

It is also certain that civil servants will be getting more than the government allocated in its plan.

The Civil Service, Transportation and Communications Union OeTV is presently struggling bitterly for a wage increase in the neighborhood of 7 percent. Mattheofer's plans call for an increase of only 4.5 percent in income for the civil servants. However, Interior Minister Gerhart Baum has already offered his contracting opponent, OeTV chief Heinz Kluncker, 5.4 percent.

Every full percentage point above the 4.5-percent mark that Kluncker is able to obtain from his bargaining partner will cost Mattheofer an additional DM 664 million.

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## GOVERNMENT STUDY ON ENERGY SUPPLY, CONSEQUENCES

Frankfurt/Main FRANKFURTER RUNDSCHAU in German 7, 8 Mar 80 pp 10, 18-19

[Text of study by the Federal Ministry of Economics on the development of energy supplies and its international consequences]

[7 Mar 80, p 10]

[Text] The analysis produced by the Federal Ministry of Economics on behalf of Federal Chancellor Helmut Schmidt yields a somber forecast of the future development of energy supplies. It is likely to serve as the basis of cabinet discussions on the orientation of energy policy. The outcome of the investigation: Even if economic growth were to be slight, stocks of reasonably accessible energy (oil, coal, gas) will be depleted in a relatively brief delay. Even uranium for the production of nuclear energy will be available for a few decades only unless--and the study emphatically recommends this--reprocessing facilities and fast breeder reactors are constructed on a large scale. The draft analysis also deals with the consequences relative to economics and defense, which may be expected to result from the increasing energy shortage. In view of the possibility of international conflicts arising about the distribution of energy, the study also recommends strengthening NATO and the adoption of measures clearly indicating to the Soviet Union that any expansion of its influence in the region of the Persian Gulf is unacceptable. The paper only briefly deals with the possibilities of energy conservation, and the study prepared by Graf Lambsdorff's ministry totally rejects government intervention in the market mechanisms governing the energy sector. The FRANKFURTER RUNDSCHAU is beginning a verbatim reprint of this analysis today and will continue it in the days to come.

## A. Analysis

### 1. Longer-Range Outlook for World Energy Supplies

1. In 1975 (the last year for which global data on world energy consumption and worldwide reserves are available) world energy consumption amounted to around 9 billion tons SKE [hard coal units]. Oil accounted for about 45 percent of this figure, coal for roughly 30 percent, and natural gas for some 20 percent.

The OECD countries share in world energy consumption is nearly 60 percent (of the world population barely 20 percent). The countries of Africa, Asia and South America which are not highly industrialized, consume only 10 percent (share of population about 50 percent), while in the state trading countries the share of energy consumption and population is in balance at about 30 percent each. Per capita consumption also varies sharply (United States more than 11 tons SKE, Federal Republic 6 tons SKE, many developing countries less than 0.2 tons SKE per annum).

2. Future world energy consumption as well as the long maturation and restructuring delays require us to think in terms of a period extending past the year 2000. The ensuing hypotheses are correspondingly uncertain. Data are based on computations by the International Institute for Applied System Analysis (in Laxenburg/Vienna) and are bound to be crucially affected by the rise in the world population (1976: 4.1 billion; low estimate for 2030: 9 billion), further economic growth (the developing countries need to catch up), the success of energy conservation and the use of new technologies. Even if we assume low growth rates (gross national product growth 1975-2030: Worldwide average 2.2 percent per annum, developing countries well above, industrial countries below), world energy consumption is likely to nearly double by 2000 and triple by 2030. The difference in per capita consumption between industrial and developing countries, on the other hand, would narrow from the present 13:1 ratio to only 8:1.

3. World demand is currently confronted by the following world reserves: 3.4 trillion tons SKE of fossile primary energy accessible to present-day technology (oil, natural gas, coal). At constant consumption this would suffice for about 400 years. Assumed to be reasonably accessible (economical access at the 1975/1976 level of prices) are about 900 billion tons SKE; rising energy prices and improving recovery techniques are increasing the reserves (range of cover at constant consumption 100 years). The future availability of the various kinds of energy varies tremendously: Oil barely 30 years, natural gas 50 years, coal just about 200 years. If consumption were to rise by 3 percent annually, the future availability of economically accessible reserves of oil would decline to 23 years, of natural gas to 32 years, of hard coal to 63 years. The production of oil from unconventional deposits (heavy oils, tar sands, oil shale) is not included; the technically accessible deposits of these materials are estimated at twice those of conventional oil.

The future availability of uranium reserves will depend on the volume and technology of nuclear power plant construction. It ranges from 20 years (if there is a great deal of additional construction, and construction is confined to present-day reactor systems without reprocessing) to many centuries (provided fast breeder reactors are used exclusively).

No overall figures are available on the potential of renewable energy sources (water, sun, wind, biomass, and so on); their utilization depends on local conditions. At this time they contribute barely 10 percent to world energy supplies, mainly in the form of hydropower which would allow for a great deal of expansion worldwide but is already almost fully exploited in the Federal Republic. The absolute contribution from renewable sources will rise substantially with the rising level of energy prices and the improvement of technologies. Many forecasts, however, do not expect any considerable increase in their relative share.

#### Prospects and Problems of the Various Types of Energy

##### Oil

4. World energy supplies will continue very sensitive in view of the OECD countries large consumption and the restricted availability of conventional oil and the still slight development of unconventional oil reserves. The OECD countries depend very largely on the world oil market because they dispose of only 9 percent of oil reserves but currently account for 65 percent of world consumption. The OPEC countries own 67 percent, the state trading countries 15 percent of world reserves. Future oil supplies are beset by particularly great risks.

5. World oil production is no longer expected to rise above 3 billion tons annually (earlier assumptions: Increase to 4-4.5 billion tons until 2000), because nearly all OPEC countries are pursuing a policy of restricted exploration and investment. For ecological and economic reasons unconventional oil sources from outside OPEC are not expected to provide larger supplies until the end of this century.

6. The crucial question is the feasibility of quickly restraining the rising demand for oil. Estimates of worldwide demand are subject to a great deal of uncertainty:

- a) Economic growth and, on the other hand, the maintenance of agreed import coal determine OECD oil demand.
- b) A decline in the share of oil in energy consumption is expected in the developing countries, from 62 percent now to 60 percent in 1985 and 55 percent by 1990. This appears doubtful, though, because the availability of alternative energies and necessary infrastructures in the developing countries varies a great deal.

c) In 1978 the CEMA countries exported 55 million tons. From 1985 on they are expected to require imports of oil, initially small but rising to more than 100 million tons by 1990, because the Soviet Union may not be able to cope with the organizational and technical problems of new developments in the east and north (climatic and transport problems). Even the maintenance of current oil production volumes requires immense efforts; the production target of 620-640 million tons staked out for 1980 had to be scaled down to 606 million tons.

In future the Soviet Union is therefore likely to encounter major difficulties in trying to meet the needs of the other CEMA partners and make oil available for sale against foreign exchange (currently the Soviet Union obtains 50 percent of its foreign exchange earnings from oil exports). It is becoming obvious that the Soviet Union will be able to raise exports of natural gas and electricity to the CEMA countries but will have to freeze oil exports.

For the Soviet Union the CEMA partners energy dependence guarantees its supremacy in the area; the USSR is bound to be aware of the dangers to the economic and political stability in the East European countries should their energy supply problems get out of hand. The possible political consequence: A stiffening of attitudes inside the Eastern Bloc, could easily affect East-West relations.

d) Rising Chinese oil exports cannot provide for more than a slight easing (in 1985 possibly 35 million tons, in 1990 75 million tons).

7. Until the 1990's the OPEC countries will be in a strong position. The current inability of OPEC to arrive at a uniform price structure is a consequence of the present price scopes. It will not endanger the cohesion of OPEC. The decline in Iranian output has much improved the situation as far as OPEC price increases are concerned. As there are hardly any capacity reserves in the other OPEC countries, even small cutbacks in production exert considerable pressure on the crude oil price structure. The OPEC countries are able to adjust output to any decline in demand related to general economic conditions. Stretching their reserves, maintaining the purchasing power of their oil earnings and their adjustment to financial needs determine OPEC price and output policy; other OPEC demands involve a greater share in refinery capacities and free access to Western markets for oil products.

8. The restructuring of the entire world oil market controlled by the oil producing countries even further narrows and destabilizes the market. Especially affected are the seven multinational firms. When their crude oil supplies were substantially curtailed, they stopped selling crude oil to third firms or at least drastically cut back sales. Though the international oil companies own supply is affected only in exceptional instances, their flexibility and thereby the flexibility of the worldwide system has been restricted.

Many smaller refinery firms and traders are vying for the oil taken from the multinational companies. Some of the volume freed is achieving extremely high prices on the spot markets, and these in turn drive up the prices charged by the OPEC cartel. A run on oil was thereby triggered among the nonintegrated oil companies. Some OPEC countries prefer government contracts or contracts with national companies. No clear image of the practice of individual OPEC countries has yet emerged. Crude oil contracts with the respective nonintegrated national companies are reinforcing the bilateral aspects of crude oil supplies. In countries such as Japan, France and Italy, where national companies hold a large share of supplies, this fact assumes greater importance. More bilateralization may result in discriminatory supply practices and, therefore, the exacerbation of worldwide supply problems.

#### Gas and Coal More Expensive Also in the Wake of Oil Prices

##### Natural Gas

9. Currently only about 10 percent of world production are traded between countries. The production in the main consumer countries is likely to decline from 1985 on, so that the import demand will roughly quadruple by 2000. This is bound to result in prices rising in real terms. The demand competition will hot up especially when the United States will be unable to meet most of its import needs from Canada and Mexico, and will have to fall back on the world market.

The OPEC countries dispose of 42 percent of world reserves, the USSR of 36 percent. For the natural gas supply of the EEC it is a vitally important question whether Norwegian gas will be able from the mid-1990's on to replace deliveries from the Netherlands which now meet roughly half the total Continental European consumption. A Continental European syndicate is engaged in serious competition with Britain for the acquisition of Norwegian gas to be directly piped to the Continent.

##### Coal

10. Only some 7 percent of current production are dealt with by the world trade. Developments on the oil market will trigger a worldwide return of consumers to coal. This is likely to drive up the price of coal, though it will certainly still be cheaper than oil. The present situation is governed by the fact that potential suppliers and customers are playing a waiting game. Indecision on both sides is delaying the necessary rapid expansion of coal supplies. The fast expansion of coal consumption is meeting various obstacles:

- Investments in producer and consumer countries require worldwide substantial capital expenditure; developing countries with major coal reserves, such as India and China, are experiencing problems in this connection.
- The lack of skilled workers may hamper production plans.

- Environmental control requirements create difficulties for the consumption and mining of coal, both in strip mining and deep shaft mining (overburden removal).
- In those producing countries (such as Australia or some developing countries) which are particularly important for the expansion of coal supplies, the transport infrastructure tends to be missing.
- Uncertainties arising in the exporting and importing countries due to the various national energy policies and the trade policies underlying them (export and import terms) hamper the conclusion of long-range agreements.

Depending on the success achieved in settling these issues, world coal output and coal consumption will rise by 50-100 percent by 2000. For the major producer countries with favorable geological mining conditions the following may be assumed:

- The United States, the USSR and China (now accounting for approximately 60 percent of world production) might provide the lion's share of additional output and, despite a rise in their domestic consumption, make available increasing quantities of coal for the world trade.
- In Eastern Europe Poland, already a major exporting country, will continue to raise its output. Deliveries for the benefit of world trade, however, are likely to rise only moderately.
- In the group of the latest world market suppliers Australia might raise exports most of all. South Africa and Canada will expand output more for domestic needs than for exports.
- India, already a major producer country, will be a newcomer on the world market by raising its output. The same is assumed with regard to other countries (such as Colombia).

#### Nuclear Energy

11. Operating worldwide are more than 220 nuclear power plants with a yield of 126 gigawatt (GW). (These include 74 nuclear power plants with 37 GW in Western Europe, 83 with 58 GW in North America, 36 with 13 GW in CEMA, 23 with 15 GW in Japan.) Information provided by the governments within the framework of INFCE [International Evaluation of the Fuel Circulation] indicate additional construction to 850-1200 GW worldwide until 2000--excluding state trading countries (650-900 power plants of the Biblis type or the annual new construction of 30-45 power plants); by 2025 international studies expect an expansion to 1,800-3,900 GW. These wide ranges show how difficult it is to arrive at global and long-term forecasts on the expansion of nuclear energy supplies.

The demand for uranium is largely decided by the reactor systems in use. If there is much construction and reactor types are restricted to current

systems, uranium supplies will reach the critical stage as early as the beginning of the next century. If construction does not advance much and reprocessing is used, the critical stage will shift by about 20 years. The exclusive use of advanced reactor systems (such as fast breeders) from the beginning of next century would extend availability by many centuries.

In any case it will be necessary to a considerable extent to develop new deposits. This will require greater efforts in the technical sphere (exploration techniques, mining methods, and so on) and the financial sphere. Environmental problems tend to obstruct this development. Uranium producers were unsettled by delays in the nuclear energy programs of the main consumer countries and now hesitate to commit themselves to larger investments.

In how far the various countries will introduce new reactor systems and reprocessing is primarily a question of political acceptance. The economic effects of a negative decision, though, will be largely determined by the various countries access to uranium. Countries with large uranium deposits (such as the United States and Canada) will be able longer to forego breeder reactors but will therefore export less of the material. Countries with few or no uranium deposits (such as the EEC countries and Japan) will, for reasons of supply needs, be compelled to introduce breeder reactors much earlier.

Incidentally, the following tasks must be accomplished in connection with the worldwide expansion of nuclear energy:

#### Disposal

12. In view of the few existing and currently planned reprocessing capacities about 70 percent of the spent fuel elements produced by 2000 (excluding the state trading countries) will be held in interim storage; most of them in the United States and Canada.

If, in order to safeguard uranium supplies, the major industrial nations intend by the turn of this century to initiate the commercial deployment of breeder reactors on a broad base, the issue of reprocessing becomes crucial. To pursue such a strategy the Federal Republic, for example, would have to initiate large-scale reprocessing no later than the second half of the 1990's. Only thus would it have enough plutonium available for the initial equipment of reactors after 2000.

Should several major industrial countries forego the use of breeder reactors, the expansion of nuclear energy would, according to INFCE data, come up to the limits of uranium supplies by 2000-2025, even if all current expectations regarding uranium reserves and production capacities were to be realized. Highly significant in such a situation would be the 35 percent uranium conservation achieved by recycling in light water reactors the plutonium gained by reprocessing. If we were to restrict ourselves to the so-called throw-away cycle without reprocessing, the supply problem would be correspondingly more acute; the technologies for the direct final disposal of

spent fuel elements would need to be developed and demonstrated. This alternative is being investigated in the Federal Republic.

#### Peaceful Use of Nuclear Energy and Nonproliferation of Nuclear Weapons

13. The relation between the increased peaceful use of nuclear energy and the proliferation of nuclear weapons is increasingly intruding in the international energy discussion. The rising demand for the use of nuclear energy, especially the Indian nuclear explosions in 1974, caused the major supplier countries to supplement the existing control system in order to guarantee equal nonproliferation framework terms with respect to nuclear exports (London guidelines). INFCE endeavors to establish increased cooperation in the fundamental technical and economic data of nuclear fuel circulation including the institutional aspects in order to lessen the danger of proliferation involved in the growing use of nuclear energy. The United States stiffened the terms for nuclear exports and tried to enforce at the international level either a temporary renunciation of or at least controls on reprocessing. Important crude uranium supplier countries--such as Australia and Canada--support this policy which might stimulate nuclear self-sufficiency and thereby encourage proliferation.

It is important for the Federal Republic to remain free in its organization of fuel circulation.

[8 Mar 80, pp 18-19]

[Text] The FRANKFURTER RUNDSCHAU today completes the reprint of the full text of the analysis, begun in the Friday issue.

#### Environmental Problems

14. Environmental considerations may substantially restrict the local use of some types of energy. The techniques used to filter pollutants arising in the incineration of fossile energies (desulfurization, for example) are being further developed but cannot completely prevent emissions. Also, due to their high cost, they cannot be applied in all parts of the world.

Worldwide effects on the climate can be neither excluded nor proved because we still have insufficient data on the effects of the release of carbon dioxide. We do have some indications that the greater use of fossile energies accompanied by the worldwide rise in the release of pollutants may reach the critical stage within a few decades.

Additional radiation is involved in the use of nuclear energy and the release of radioactive substances which, despite technical retention and purification measures, are emitted in surface waters and into the atmosphere. However, even in the most unfavorable locations, that is the immediate surroundings of a nuclear power plant, this amounts--in normal operating conditions--to only a few percent of the radiation to which man has always been

exposed by natural radioactivity, in fact on the average to only fractions of a percent. Worldwide environmental pollution by radioactive substances from the total fuel circulation involved in nuclear energy production is considered harmless.

Worldwide environmental effects involved in the use of renewable energy sources have so far been barely explored. At local and regional level problems may arise (for instance the need for large areas when using solar or wind power; the danger of erosion arising from large-scale monocultures for the use of biomass). The production of the material required for using these technologies may call for a great deal of energy and cause substantial environmental damage.

## II. Problems Relating to Foreign Affairs and Defense

### 15. Many are the conflict potentials relevant to foreign affairs.

The displacement of the multinational oil companies has meant the proliferation of possibilities for the bilateralization and politicization of the oil business. The "oil weapon" is applicable at a more selective and subtle level; the supplier countries may require their customers--as a basis for transactions--to guarantee political concessions and specific market openings, conclude definite agreements to purchase certain products, technology transfers, and so on. The competition engaged in by the governments of the industrial countries for the increasingly scarce oil may well result in a trial of strength with respect to solidarity within the EEC and among the Western industrial countries. The divergence in approaches to the handling of adjustment problems involves similar dangers, while the foreign political scope of the governments is steadily narrowing. Advances in European integration and in OECD-IEA [International Energy Authority] cooperation may be adversely affected.

The emerging energy problems of the East are adding a new dimension to the international competition for scarce oil.

Uncertainties regarding future oil supplies are resulting in internal tensions in the oil producing countries as well as in regional conflicts wherever oil is used as a political weapon.

#### Internal Tensions

16. Most oil producing countries in the Near and Middle East are internally unstable. The enormous revenues have instigated an economic dynamism accompanied by severe social and cultural tensions. Economic structural weaknesses, the unequal development of ethnic and social groups, the increased search for their own identity by recourse to religious and cultural tradition and its values have triggered internal conflicts for which these countries tend to be poorly prepared.

Countries with orthodox Islamic tendencies are subject to the emergence of strong forces championing restrictions on oil production, slower economic growth and greater orientation of their foreign policies to particular regional and national interests.

Countries with a more socialist orientation are not prepared in matters of oil policy to take into account the interests of industrial countries or the world economic system. On the other hand they are usually dependent on the unrestrained influx of oil revenues.

The more important producer countries in Black Africa and Latin America (Nigeria, Venezuela, Mexico) are also confronted by persisting--mainly social -- problems which might have a destabilizing effect.

#### Regional Conflicts

17. The Nearest conflict continues to be the most dangerous potential source of disruptions of international oil supplies. Though the Egyptian-Israeli peace treaty substantially lessened the danger of war, political tensions in the region have not abated. Upon the outbreak of local hostilities Egypt might even return to the Arab camp.

Indirectly the smoldering Nearest conflict menaces Western oil supplies insofar also as the Palestinians--a sizeable minority in most oil producing countries--continue to threaten to vent their political frustration by attacks on oil installations in those countries which, in their opinion, are not diligent enough in pressing their claims.

Other possible foci of conflict liable to touch upon and even endanger the oil supplies of the West are

- The conflict between Iraq and its neighbors, especially Kuwait,
- Conflicts between Iran and the minor sheikdoms on the Persian Gulf.

#### The Great Powers Involvement in These Conflicts

18. Western oil supplies are menaced even more by the possibility that the great powers may get involved in a local conflict (or internal revolutionary events), or that they may attempt--in the case of a global conflict--to secure their sources of oil supplies by a quick coup and prevent the other side from destroying them or from disrupting transport routes.

The Soviet Union enjoys political, military and naval presence in this region (vital to the West): Afghanistan, South Yemen and Ethiopia. Currently its main goal is likely to be the consolidation of these "bridgeheads." For the time being the USSR is pursuing a pragmatic foreign policy vis-a-vis the conservative oil countries but, in the long run, will probably try to encourage the collapse of the present systems and the simultaneous collapse of Western

influence on the Gulf. World strategic considerations will probably be just as important for the Soviets as the emerging energy supply problems of the Eastern Bloc. At any rate, by their military occupation of Afghanistan they have secured an initial position permitting them a rapid grab at the world's most important oil center and the oil transport routes of the region. Their presence in Afghanistan is also likely to afford them more opportunities to influence the neighboring countries.

### III. Dangers to the World Economy and the World Monetary System

#### The Economic Consequences of Oil Prices Rising in Real Terms

19. The worldwide shortages and rising prices of energy are generally burdening the world economic structures and endangering the operation of the world monetary system. We cannot assume that they will be coped with as easily as after 1973/1974. This time, when the second wave of oil price hikes broke over us, we came to appreciate that the real price of oil, that is the price adjusted by the average rise in the prices of internationally traded goods, will from now on increase steadily--and with it the entire real energy price level. Only now do we appreciate that this is appropriate to the growing shortage of energy, especially oil. The hypothesis used most often assumes that oil prices might, in real terms, rise by 100 percent in the period 1975-2000. This would correspond to an annual increase in the price of crude oil of nearly 3 percent above the rate of world inflation.

The actual developments in the 1970's do not suffice to pinpoint a trend: The initial tremendous price jump of 1973/1974 amounted to 190 percent in real terms; in the years 1975-1978 oil prices declined in real terms by about 15 percent; since the end of 1978 we have had the second major price hike, involving a rise in real oil prices amounting to about 50 percent (estimated) by early 1980.

However undesirable--in view of the long-term trend--another decline in real prices may be, the world economic problems would be enormous if large sudden price increases (like those in the recent past) were to result in the abrupt transfer of a huge volume of real purchasing power. In many oil importing countries such events substantially worsen price, growth and employment prospects. For many of them this deterioration may have dramatic effects due to their initially weak economic position and lack of international competitive capacity. The various economies differ in their ability to cope with such external shocks; just as after 1973/1974 we will see differences emerging between stronger and weaker countries. For that reason also it would be desirable for the rise in real oil prices to stabilize.

#### No. 2: Problems

20. The imbalance in the current accounts of oil exporting and oil importing countries has once again increased to a considerable extent.

In the 1980's also further real oil price rises and, therefore, higher revenues for important producer countries (far exceeding the money needed to finance their imports) are bound to result in substantial imbalances. Other than in the period after 1973/1974 another rise in the oil countries imports is impeded by their physical limitation, more careful development planning and increasing resistance to the unduly rapid transformation of economic and living conditions. On the other hand many of the oil importing countries will be slow to reduce their dependence on imported oil and offset the higher costs of oil imports by increased exports.

#### The Government Not Acting Like a Model of Thrift

#### B. Strategies for Coping With the Problem

The problems described above require long-range strategies which take into account the interplay of energy, economic, monetary and foreign policies. To be effective these strategies will require a coordinated approach, especially by the industrial countries.

##### I. National Energy Policy

21. In view of these developments energy policy must put a damper on the demand for energy, especially oil, while at the same time expanding and securing energy supplies. The national scope is limited. Supply structures have arisen in the course of many years and resist short-term transformation. Moreover, energy policy needs to sustain total economic growth and employment targets as well as international competitive capacity. The more the state confines its interference to the provision of a framework (including a legal system which is both reliable and allows for appropriate investment planning--such as the bill amending the federal immission control law) but generally gives free rein to the market and price mechanism, the more flexible is the process of adjustment and the less adversely affected the economy's readiness to invest, which is vital for any restructuring. Since 1973 the Federal Republic has managed to cope better with the energy problems than other industrial countries because, in case of doubt, it always decided in favor of the market forces and therefore long-range prospects. This policy also provides opportunities for new growth incentives.

##### Energy Conservation

22. More rational use is an important prerequisite for the long-term security of energy supplies. Steady efforts must be made to gradually exploit the conservation potentials of a strategy addressed to the medium term and coupled with the observance of general economic and social conditions. In the international comparison German energy policy is already showing exemplary results.

In the medium and long term further considerable conservation potential is offered by the main consumption sectors:

- In the matter of buildings, for example, by the review and possible adjustment of heat control codes for new buildings to energy prices (the first adjustment is now in preparation), and by the inclusion of older structures in the scope of the energy conservation law (draft bill now before parliament);
- In the matter of power/heat coupling especially by the construction of local and environmentally harmless thermal power plants (site problems; regional supply concepts), and by greater emphasis on the use of industrial waste heat;
- In the transportation sector by, for example, improvements in public commuter services.

Government directives, recommendations, incentives and even controls by way of price are the more effective the greater the success in changing the consciousness of the public which is reflected in consumer habits and purchase decisions. The consistent enlightenment of the public regarding the urgency and permanency of energy supply problems, the necessity for individual initiative and the expectation of constantly rising energy prices as well as advice on specific actions--all these are appropriate approaches.

Government action also must take the long-term outlook into account to a far greater extent than hitherto. Public agencies are still a long way from serving as models of energy conservation (for instance poor insulation of public buildings). Other political sectors also should be reviewed with regard to their effect on energy consumption. Examples here are infrastructural investments, subsidies for new settlements and the retention of energy intensive production; also to be considered are the subsidies paid for farm surpluses, which should either be reduced for the purpose of energy conservation (chemical fertilizer, storage) or produced in a form which permits energy production (biomass).

#### The Replacement of Oil

23. The consistent replacement of oil could sensibly reduce the hazards to our supply in the medium term. Heat production by way of oil must be discouraged. Heavy fuel oil now only accounts for 9 percent of electricity production in the Federal Republic. Further reductions are possible. The potential for replacing heating oil in industry is very great indeed. The economy will convert to coal especially if it is possible to conclude long-term contracts for cheap coal, no undue obstructions arise from environmental regulations and conversion costs are reasonable. All too often business still does not believe that oil is no longer abundant. The oil business is currently tackling full conversion from heavy heating oil to light oil products. This conversion process is obstructed by coal import quotas because these do not allow any long-term commitments (import contracts and the purchase of mines) on the world coal market. The gradual liberalization of coal imports is vital, and this can be done in coordination with the priority role of German hard coal.

In private households oil replacement will depend on competitive alternatives: Natural gas--regionally differentiated--and in conurbations district heating also, especially from coal-fired district thermal plants, electricity for space heating, especially when linked to heat pumps which considerably raise efficiency. In order effectively to replace oil in the private and commercial sectors we will therefore need additional power plants, including nuclear power plants.

Renewable energy sources--solar energy, wind energy and biomass--will not provide sizeable contributions to the replacement of oil in the foreseeable future.

#### Expansion of Supplies

24. As our country has few energy resources, our economy must secure access to foreign resources by long-term contracts and/or investment participation. Rising energy prices have lent increasing attraction to worldwide deposits hitherto considered unduly expensive. They do not, however, remove obstacles (environmental objections, for example) to the development of new coal deposits. Some uncertainty is therefore bound to continue. It would be highly desirable for that reason to grasp every opportunity which is sensible from the economic aspect and defensible from environmental and safety aspects, though initially it may provide little addition to our supplies. Research, development, demonstration and the introduction to the market of new energy technologies may range across several decades and often exceed time spans normally considered acceptable by business managements.

In these cases research and energy policies must provide incentives for the appropriate speed-up. A good example is the program for coal processing.

The government must continue to give political assistance to the oil and gas industry in the search for new and geographically well distributed sources of supply. Direct bilateral agreements between governments tend to be dangerous because they encourage the further politicization of the world oil trade. If at all they should be considered only as a possible backing for entrepreneurial operations.

#### II. Opportunities for International Action

25. The global effect of any national energy policy is necessarily limited. For example, even the most strenuous German efforts at oil conservation would barely ease the strain on the world market for the benefit of the developing countries dependent on oil, nor would German abstention from the use of nuclear energy improve our safety. On the other hand there is only very limited scope for the worldwide coordination of energy policies if we consider the immense conflicts of interests especially in relation to the oil exporting countries.

Our experiences since 1973/1974 have taught us how much energy policy is governed by domestic and foreign political aspects and represents a key issue for the future economic development of the various countries. The temptation to pursue selfish national goals is very strong indeed. As a major oil consumer and prominent partner in world trade the Federal Republic has a special interest as well as a special responsibility actively to encourage the international process of coordination. German arguments on the energy issue are increasingly listened to in the international discussion. This enables us to assume a mediating and initiating role in energy-related cooperation. In view of the looming tests of Western solidarity we must commit ourselves to the advance of European integration and the reinforcement of the Atlantic Alliance. Our energy political arguments will be all the more convincing the better we are able to eradicate the weaknesses in our generally exemplary energy policy.

Initiatives and the cooperation of the major countries are important. Still, the real international efforts must continue to be generated by the EEC and the IEA, because only adequate involvement and consideration of the interests of the smaller member countries can safeguard the cohesion of the industrial countries. Many smaller countries whose economic principles generally conform to ours expect the Federal Republic in particular to sustain this standpoint.

26. In the EEC the wide differences in the interests of the member countries, the tremendous divergences in their economic--especially energy--structures do not really offer much hope for supranational energy decisions.

That applies quite particularly to energy resources. It seems unrealistic, for instance, to expect Britain even partially to yield sovereignty in respect of its own oil in favor of the Community--beyond the obligations involved in the crisis regulation. The same applies to British and Netherland gas. It is troubling, though, that Britain does not frankly discuss its oil and gas policy in the EEC.

In contrast to oil and gas, coal mining in the EEC is not generally profitable. Especially here in the FRG it is maintained only by the provision of substantial government subsidies. The other member countries do not participate--except for some little aid to deliveries of coking coal--, but they are possible beneficiaries of the crisis regulation provided for coal in the ECSC [European Coal and Steel Community].

Even though competitive conditions have changed considerably now, the outlook for a common coal policy continues poor. The Federal Republic and Britain produce at high but different costs. Britain mines its coal almost exclusively for domestic consumption.

The seven consumer countries in the EEC are interested only in imports at world market prices; only three of them (France, Belgium, Netherlands) purchase German coking coal. Italy interprets EEC coal policy to mean the

financing the conversion of its infrastructures and power plants to imported coal. This situation is not going to be eased after the accession of Spain and Greece.

The most important task of EEC energy policy will therefore continue to be the coordination and, where at all possible, synchronization of the member countries energy policies. Considering the conflicts of interest involved, the difficulty of this task should not be underestimated. In this context it will be less important to adopt identical measures than to make the same efforts. Community subsidies may offer a vital incentive, provided they are meaningful in complementation of national efforts. Annual Community expenditure in the energy sector (primarily research) amounts to barely 300 million ERE [European units of account].

Toward the outside the EEC is increasingly adopting common energy standpoints. The EEC usually succeeds in maintaining a united front in the international organizations such as the IEA and the ECE. It is consequently able to obtain a proper hearing for its member countries vis-a-vis the other major energy consumer nations such as the United States and Japan.

27. Crisis prevention and the constant review of national energy policies are the focus of IEA operations. Since the Tokyo summit meeting the observance of import targets accompanied by the appropriate distribution of hardships has been included. The implementation of the IEA coal program and the replacement of oil in power plants are the prime tasks of the coming years.

The most serious weakness requiring reciprocal international coordination is the inadequate speed in the expansion of nuclear energy supplies. In the United States energy prices are still kept artificially low by administrative measures and prevent the development of alternatives as well as public readiness for conservation. The new International Energy Technology Group will improve cooperation in the production of oil and gas from coal and in the output of renewable energy sources. French nonparticipation in the IEA hinders the cooperation of the Western industrial countries.

28. Increased efforts are required to lessen the developing countries dependence on oil imports. German services to help the expansion of conventional and renewable energy sources will be further strengthened. At the international level far too little is being done now: The operations of the World Bank and the Lone II Agreement are important for the exploitation of the energy resources of the developing countries. So far development aid by the OPEC nations has largely been confined to Arab or Islamic countries. OPEC should certainly make a larger contribution. In addition to adequate financial aid the developing countries should be given advice and information about the necessity for adjusting their energy structures, thereby giving them an incentive for greater initiative.

29. An actual worldwide energy dialog between producers and consumer would be able to contribute much to the prevention of crises. In the new round of the

North-South dialog the energy topic should preferably be detached from other North-South considerations and guided toward a permanent energy dialog. It is therefore regrettable that the United Nations General Assembly failed to give serious consideration to Mexico's suggestion for setting up a study group composed of representatives of the oil countries, the industrial countries and the non-oil producing developing countries. When preparing the North-South dialog we should do our best to prevent any dilution of the energy discussion. Incidentally, we will be able to talk to the producer countries with any chance of success only if the latter recognize the consumer countries appreciation of their problems.

30. Close bilateral relations with the producer countries are crucial for any agreement and mutual understanding. As danger threatens not least from the economic and social structures of the producer countries and their neighbors in the Near and Middle East, we will have to contribute to the settlement of these problems. Cooperation agreements between the Arab Gulf states and the EEC might be helpful in this respect.

31. As for East-West cooperation in the energy sector, we must involve the East--especially the Soviet Union--in the overall responsibility as consumers and producers and include it in the worldwide energy discussion. This is necessary because the CEMA countries also will, within the medium term, come to depend on energy imports. Progress toward an all-European energy conference depends on persistent German efforts for the achievement of a compromise in the West as well as the East. The effects of the latest international events will have to be awaited.

32. In view of the military conflict threatening to erupt between the super-powers in case of a direct attack by the Soviet Union on the oil states of the Persian Gulf, the Soviets must be warned in good time of the risks they would incur by any attempt further to expand their sphere of influence in this region. Moreover, special preventive security measures will have to be adopted in close cooperation with our partner countries so as to forestall political conflicts--involving the danger of engulfing the entire region and provoking a parallel East-West crisis--and put in place a system of crisis management. It is also imperative to strengthen those countries in the Near and Middle East, which are strategically vital for the security of the region or which border on the Soviet Union (Turkey, Pakistan, North Yemen, Oman) and therefore particularly vulnerable to Soviet interference.

### III. Necessary Economic Actions

33. In the long run only the combined deployment of energy policy and macro-policy holds out any prospect of success:

a) Conservation and replacement, that is the medium-term lowering of energy use per unit of the gross national product, especially the displacement of oil and its ultimate replacement by other types of energy, and

b) The fastest possible adjustment of the production structure to the changed relative prices of energy, in order by way of a permanently more efficient range of production to raise international competitive capacity and thereby create favorable conditions for minimizing the worsening in the terms of trade induced by oil prices. Economic policy must assist this strategy by, among others, the removal of rigid rules, by raising the mobility of capital and manpower, and by the improvement of workers skills.

No country will be able in the long term to avoid this kind of cooperation between energy and macropolicy. Cooperation is favored to achieve success because the workings of the price mechanism are most appropriate to stimulate private investments for energy conservation and the expansion of supplies. At the same time general economic growth losses will be held lower, job losses reduced and the inflationary impetus in the structural process of adjustment weakened.

It is imperative for the EEC and the other Western industrial countries to pursue such a combined approach. The potential is certainly available.

34. Ultimately the non-oil producing developing countries will also have to adjust to rising oil prices. To some extent and in the long run they have actually better opportunities for doing this than some industrial countries, due to the greater adaptability of a developing economic structure. In the short term they are more affected than the industrial countries: The diminution of internally distributable real income linked with the worsening of the terms of trade causes a socially more explosive decline in prosperity than in the industrial countries. The threshold countries are best equipped to offset this, provided the industrial countries continue to improve access to their markets and the East European countries also open their markets to a far greater extent than they have done in the past.

Many developing countries will be unable to use increased exports to offset the profound short-term effects of rising oil prices; additional transfers of money will be required. The OPEC countries have a special responsibility here because they are the direct cause of these effects. They will have to put some of their enormously increased oil revenues at the disposal of the developing countries in the form of aid. The development aid granted by the Western industrial countries cannot possibly compensate the short-term effects of rising oil prices. Moreover, additional difficulties in the financing of this aid will be caused for the industrial countries if balance of payment deficits should persist for any length of time.

35. It makes little sense to suggest that the extent and rhythm of rising oil prices be determined by government presetting (tariffs, taxes). There is not the slightest possibility that the price path necessary for such a policy could be "properly" marked out. It is unrealistic to expect a consensus of the industrial countries and the acceptance of the oil exporting countries with regard to a system of price controls. In fact such targets would be actually counterproductive because they are bound to some extent to

conflict with the internal total economic goals of the oil importing countries (high growth and employment status and monetary stability), and because they challenge the oil exporting countries to adopt counterreactions with respect to prices; furthermore economic policy does not really have the tools to handle controls such as a medium-term D-mark upward revaluation (which was one of the suggestions).

An isolated national raise in oil import prices would adversely affect the national competitive position without appreciably changing the world energy situation.

36. In the monetary sector three main tasks seem to be outstanding: The reduction of oil-related balance of payment imbalances, their appropriate financing and consideration for suitable investment opportunities for the oil countries.

Even when pursuing a successful adjustment strategy many oil importing countries will have to incur additional debts, either temporarily or for longer terms. A steadily rising indebtedness is not therefore a permanent remedy for the problems involved in the rise of energy prices.

37. For the time being we must assume substantial imbalances between oil importing and oil exporting countries. It is therefore imperative to guarantee the smoothest possible financing of this imbalance which is bound to vary from one country to the other. The obvious sources of finance are the surpluses of the oil countries. The "reflux" of the oil moneys to the deficit countries must be the primary aim.

The oil countries should constantly be reminded of their responsibility for the settlement of the world economic and monetary problems which have arisen. They should participate in the reflux to the largest possible extent--by the direct investment of their moneys in the deficit countries and by development aid. As far as indirect reflux is concerned, in recent years the commercial banks, the IMF and other international institutions have been very helpful in this respect.

The Euro banking system will continue to handle a considerable part of the financial tasks involved. However, credit risks are growing alongside the indebtedness of the borrower countries. The institutes already tend to be far more reserved. Nevertheless it appears advisable to continue efforts to improve the control of these institutes in order, among others, to keep credit risks within justifiable limits.

Presumably an increasing part of financing tasks will have to be assumed by international public financial institutions--especially the IMF, the World Bank and the regional development aid banks. For the time being these institutions resources are likely to be adequate. If necessary their resources may be further strengthened consonant with their specific responsibilities. Actually the surpluses of the oil countries should be available for that purpose. Additional financial aid in the case of special problems should be

decided as ~~and~~ when the necessity arises. Currently there is no need of a new financing mechanism.

Direct reflux has its limitations because the oil countries endeavor the widest distribution and most secure investment possible of their moneys. In future also deposits with the IMF and the international financial institutions may serve both purposes: The orderly reflux into deficit countries and investments safe from political and monetary risks.

In addition we are striving for a replacement account in the IMF, where oil countries should be able to convert surplus dollars into SRD's [special drawing rights].

It remains to be seen in how far the oil countries need for distribution of investments can thus be satisfied. The problem must receive special attention because we cannot exclude the possibility that oil countries which are low absorbers (that is have import needs smaller than their revenues) may discover the link between oil production and investment opportunities.

39. When dealing with these tasks it will be imperative to maintain the stability of the international financial markets and the international monetary system. The continuing soundness and stability of American monetary and foreign exchange policy, especially evident progress in halting inflationary trends, represent a particularly crucial prerequisite.

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## MITTERRAND-ROCARD RIVALRY IN 1981 SOCIALIST PARTY CANDIDACY

## Rocard Presidential Candidacy

Paris LE FIGARO in French 26 Feb 80 pp 1,6

[Editorial by Xavier Marchetti: "Rocard Is Back. The Examination"]

[Text] Presidential aptitude test. Testing center: the television screen. Jury: those who watch political programs. Testing period: approximately 10 months.

Michel Rocard's appearance on the track yesterday evening, on "Cartes sur Table" TV program is the first of several. All of Valery Giscard d'Estaing's challengers will take turns to enter the race. No one will say that he is a candidate to the presidency. Each of them will attempt to prove that he is able to reign there for seven years. Thus, the presidential election campaign--which everybody would like short--is in fact going to extend over five seasons.

Distressing? One may think so, but who would honestly be surprised? A prerequisite when aspiring to the presidency is to gain a national dimension via television. Apart from Valery Giscard d'Estaing, three men can already claim to have it: Francois Mitterrand, Jacques Chirac, Georges Marchais.

What about Michel Rocard? His has been a curious path: untiring party member; good veneer of economy; not spoiled by universal suffrage; pure of any government experience; a man of the left who rejects the myth of nationalizations and refuses to reduce the improvement of the working classes' life to inconsiderate wage increases, to whom participation is like Marie-Antoinette playing shepherdess, and joint management the nec plus ultra of social organization; he has been a registered party member for only five years.

A sudden conversion? Certainly not; almost all his opinions date back to his youth. Calculation? The second condition to be a presidential candidate is to have the support of a large party. Francois Mitterrand understood that who, after taking hold of a moribund socialist party, relentlessly

worked to give it a new life and a new vigor for presidential purposes which were a legitimate justification for all his actions. This party, which came so close to victory in 1974, is the party which Michel Rocard has joined and, since then, much shaken.

Is the junior now going to strip his senior, to cheat him of the nomination? The polls seem to indicate that he will; there is no guarantee, however, that the situation will not reverse itself. There remains the party.

That it finds itself with two candidates for the nomination, who have approximately equivalent "qualifications and abilities" is nothing new. What is new is Michel Rocard's announcement that "there would be no primaries," i.e. no open conflict. If this is the case, then either an agreement has already been arrived at, or bargaining will take place before a unanimous decision is reached.

What is certain is that the socialist party will present a united front and that it will continue to play the union of the left, even against Georges Marchais. With Michel Rocard to carry the colours? "I am ready," he told us, thus justifying his being present in the debate.

What has become apparent among the socialists, at any rate, is that they feel confident that Valery Giscard d'Estaing's attempted "overture" will not win away their voters any more than it has moved leaders and deputies of the left; that, once more, they may not win but that it will not mean that everything has been said after the presidential election. Like Francois Miterrand, Michel Rocard counts on the division of political forces into two halves. Like him, he is standing at the breaking point.

The aptitude to lead the country, which one wants and will always want to prove, is therefore exclusive of any changes in the boundary between right and left. This much is clear.

#### Rocard Interview

Paris LE FIGARO in French 26 Feb 80 p 6

[Report on Interview with Michel Rocard on "Cartes sur Table" TV program, on 25 February 1980, by J.-P. Elkabbach and Alain Duhamel: "Rocard Claims Presidential Stature"]

[Text] Yesterday evening, on "Cartes sur Table" (Channel 2), Michel Rocard answered questions from J.-P. Elkabbach and Alain Duhamel. Both to the point and full of nuances, and while trying to understand the reasoning of his opponents, Michel Rocard nevertheless had harsh words for the president of the republic and the manner in which he manages France's foreign and economic policy. As for his own presidential future, Michel Rocard has, of course, come close to believing

in it. However, as a disciplined party member, he is waiting for the choice of the socialist party, to be made next fall. Should he be selected, Michel Rocard feels that he is ready, and he said so.

The first, brutal, question: "Do you feel cut out to make a president of the republic?"; Michel Rocard does not dodge it but knows enough to avoid falling into the trap of appearing ambitious: "A man who represents a hope, a collective will may answer yes."

The deputy of the Yvelines department believes that the socialist party has been wise not to nominate its candidate before next fall: "It is not good for France to live in a permanent election campaign." But he denies that continuity is the right solution in times of crisis: "Sometimes, change brings security"; a change which might be introduced by Francois Mitterrand? "He has the qualifications and the ability." Michel Rocard is pleased that the socialist party has two potential candidates "who respect and have a high opinion of each other" and he states that "the socialist party candidate will be chosen without any tragedy because we are both concerned about the socialist party's unity, and there will be no primaries."

The questions cause Michel Rocard to situate himself with regard to international events, a subject on which the mayor of Conflans-Sainte-Honorine had seldom ventured until now and on which, at first, he appeared somewhat weak. He unfolded a criticism of "France's nonalignment" based on three essential points:

- The USSR has been an economic failure, but we should not expect its leaders to question their policies. The USSR plays the "stronghold under siege" and creates "glacis" around itself in order to ensure its security.
- Third world countries, in spite of their considerable raw material potential, "find it hard to take off, and their take-off often has the form of a dictatorship."
- If France is to remain a country which imposes peace, it must continue to develop its nuclear arsenal--"it is at a level with which the USSR has to count"--and also maintain a high-level of conventional defence weapons.

"To us, what has happened in Afghanistan is unbearable," he said. "Therefore, France had to have a firm position, it must not let it be believed that western countries had accepted Russia's explanations. We are not a neutral country. Nobody is asking France to withdraw its signature from the Atlantic Treaty. To implement a policy of peace means that you have to show firmness in accepting to meet with other countries, whatever their social system, to learn to know each other."

On domestic economy, Michel Rocard states that French economy has many chances. We must multiply them by a flexible planning. We are unable to forecast our long-range future.

"But the French problem, in my opinion, is more a problem of the French people among themselves, i.e. the ability of the French to deal with one another. In the same order of ideas, we need local authorities responsible for infrastructures; this is what decentralization is all about, which I call a socialism of responsibility."

As for nationalizations, "they are hard to implement and there should not be too many," but Michel Rocard compares the body of successful nationalizations with the "disasters in the private sectors" and mentions water supply as an area to be nationalized by priority.

[Question] "What is your opinion of the PCF today?"

[Answer] "The PCF no longer accepts a union of the left which it cannot dominate. This is tragic, but that is the way it is. What we have in common is that we are representing the working class. Today, the PCF does not want to cooperate any more, we must recognize that. Therefore, when election time comes, the voters will have the choice between two left-wing policies.... The government will be made of representatives of all those who shall have recognized themselves in the options of the elected president. At present, the PCF does not seem decided to participate in the government. But I shall not give up our efforts to bring communists back to democracy without any compromise whatsoever on human rights.... Assuming I were elected, the government would therefore be homogeneous; it would include, for instance, left radicals, environmentalists. We should hurry to carry out the profound reforms which have not been made."

[Question] "What if a communist leads after the first ballot, what would you do?"

[Answer] "I do not believe that this will happen," states Michel Rocard. "All our hopes would then be at half-mast. Nevertheless, we shall abide by republican discipline."

In this case, Michel Rocard is therefore prepared to recommend voting for the PCF. He rejects already now any possible understanding if Valery Giscard d'Estaing were reelected.

"Our vocation is not to fill a vacuum. There will not be two socialist candidates: there will be one candidate by consensus. Everything will be all right.... He cannot be a candidate with a narrow imperative mandate since we must bring together again all the people who feel to the left. Shall I be the most effective candidate? That is possible, it is not certain."

### Public Opinion Poll Comparison

Paris LE FIGARO in French 26 Feb 80 p 6

[Article: "Mitterrand's Rival in the Polls"]

[Text] Considering Michel Rocard's rise in the polls, one question comes to mind: when he gets down to the essential, will he still have the same power of seduction? The essential, that is the day when, after abandoning the veil of modest silence in which he has been draping himself for a long time, he will have to appear in full light. Yesterday evening, we still had a view in half tones but, if it comes to a presidential campaign, he will have to get out of the shadow.

By keeping silent, by doing nothing, Michel Rocard has run no risk of making mistakes or getting entangled in the nets of a past full of contradictions.

His broken leg and his failure at the Metz congress have forced him to a discretion which has been reinforced by the trends in the polls. "Silence is gold" says the proverb. Rocard has proved this to be true. But you cannot win an election by remaining silent.

Polls are snapshots of public opinion, they deserve more attention when they are considered over a period of time so as to show trends.

In this respect, the monthly FIGARO-SOFRES polls are revealing.

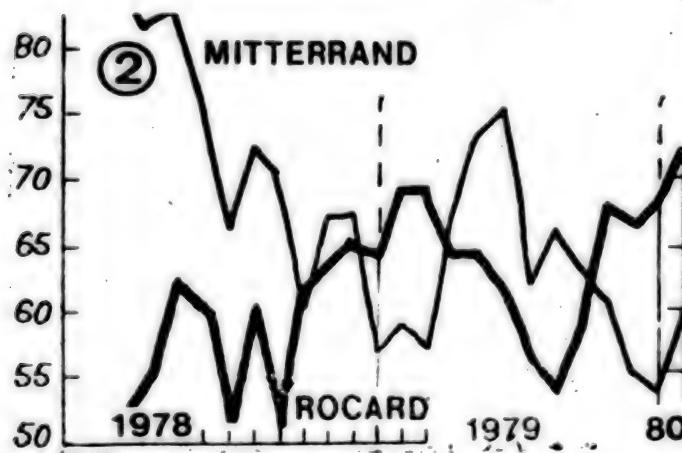
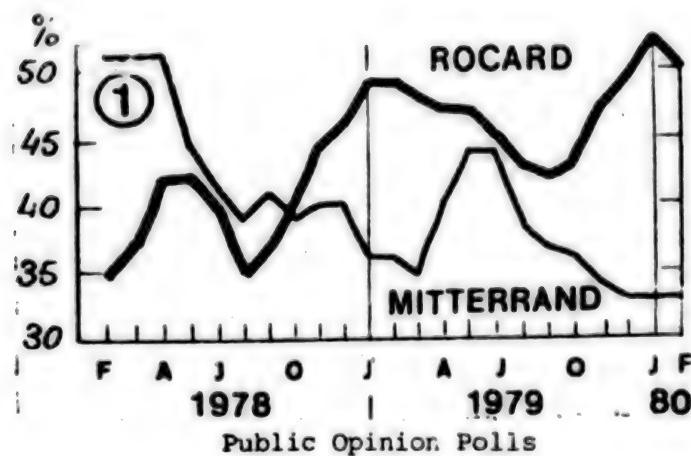
How could we not compare the 35-51 poll of February 1978 with the 50-33 poll of February 80?

Today, Rocard (50 percent in favor) has, in fact, almost reached the level of Mitterrand in February 1978 (51 percent), while at the same time the image of the socialist party's first secretary has fallen (33 percent) to where his challenger found himself before (35 percent).

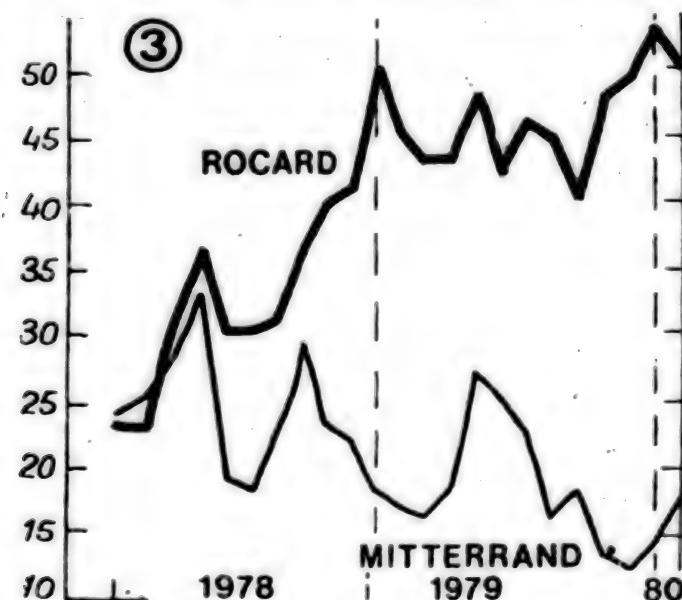
This phenomenon of communicating vessels suggests that Francois Mitterrand's attrition, alone, could to a large extent account for the ascension of his rival within the socialist party.

When attempting to penetrate the secret of the "prince of polls," two dates deserve particular attention:

In March 1978, on the evening after the second ballot of the legislative elections, Rocard draws the lessons from the failure of the union of the left. Already in the next poll, he begins to rise in public opinion and especially among Giscard's supporters. One month later, the shock wave is hitting Francois Mitterrand.



Among socialist voters, Mitterrand has long resisted Rocard's rise



Among Giscard's supporters, Rocard meets with unexpected popularity

Another essential date in this long-range duel: September 1978. Rocard denounces "archaism." In October, public opinion appears to have perceived his message; for the first time, the deputy from the Yvelines is ahead of the deputy from the Nievre. Since then, the gap has only become wider; with the help of diligent grave-diggers--the communists--it may turn into a grave for Francois Mitterrand.

As a matter of fact, beyond a question of personalities, language and generations, the trend of the ratio of forces between the two socialist leaders is closely related to political differences. The French have obviously not interpreted correctly the obstinacy with which Francois Mitterrand was clinging to what remains of the union of the left. For a long time, the first secretary could think that he would find within the socialist party the men and women to help him reconstruct his old dream. In the past few months, public opinion polls have given him another slap in the face: even within the socialist party, Rocard now has reached the stardom, while Mitterrand is approaching the danger point.

Nevertheless, what the most aggressive supporters of the mayor of Conflans-Sainte-Honorine [Rocard] pretended to see as an irresistible rise (+17 percent in two years), may have to be considered some day as occasional popularity. Rocard, in fact, has just lost two points in the February FIGARO-SOFRES poll, as if public opinion were beginning to understand that silence does not necessarily constitute the ideal answer to the difficulties which beset us.

To appeal to people is not to convince them: marriage does not always follow love at first sight....

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**'AKROPOLIS' REPORTS REACTION TO VEST TESTIMONY BEFORE SFRC**

AT221419 Athens AKROPOLIS in Greek 22 Mar 80 p 1 AT

[Text] According to authoritative reports, Athens attributes no special significance to all the things U.S. Assistant Secretary for European Affairs Vest said in his testimony before the U.S. Senate Foreign Relations Committee on Greece's reintegration into the NATO military wing.

Vest said that the alliance had not finally approved the Davos-Haig agreement for the settlement of the issue, and that, strictly speaking, this is correct because unanimity by NATO members is required in making decisions, and since Turkey had objected, a unanimous decision was not possible.

Vest also said that, as regards operational control, return to everything that was in force prior to Greece's withdrawal from the NATO military wing would cause objections, obviously meaning Turkish objections.

Meanwhile, in a statement yesterday, KODISO [Democratic Socialism Party] Chairman Pesmazoglou said that Vest's statements confirmed that NATO and the U.S. Government have adopted Turkish arbitrary acts and expansionism.

Furthermore, he continued, the views expressed by Vest constitute provocative backtracking on everything the U.S. Government has accepted with the well-known Davos-Haig agreement.

Pesmazoglou stressed that any change in the status of operational control which existed prior to 1974 required Greek consent.

In conclusion, he asked the government to announce its protest and objections to the Vest viewpoint and to make it clear that Greece will use all means at its disposal to implement an active policy for the full protection of its sovereign rights.

A statement by EDA [United Democratic Left] on the same subject asks the government to halt negotiations with NATO.

In addition, in a statement on the recent violation of Greek airspace by Turkish planes, EDIK Chairman Zigdis mentions that: the statements that the Turkish planes were not intercepted by Greek planes but recognized leads to the conclusion that, "according to the government, the mission of the Greek Air Force is not to forestall and obstruct the violation of Greek airspace, but to greet the invaders from afar."

## 'I VRADYNI' TERMS LEAKING OF DOCUMENTS AS 'PECULIAR'

AT191505 Athens I VRADYNI in Greek 19 Mar 80 pp 1, 14 AT

[Excerpts] Yesterday the government described as inaccurate most of the press reports on the letter addressed by the prime minister, Konstandinos Karamanlis, to U.S. President Carter, giving particular emphasis to the portion of the letter allegedly referring to the opposition.

Irrespective of whether yesterday's press reports on the contents of Karamanlis' letter to President Carter are totally or partially correct, political observers recalled that the positions of the Greek Government on the question of the country's reincorporation within NATO are clear and firm. These positions are summarized as follows:

1. That Greece resolved to negotiate its reincorporation within the alliance for reasons which Greece itself considered necessary.
2. That the Greek Government is not prepared to sacrifice its sovereign rights in the Aegean (in the sea or in the air) in order to achieve its reintegration.
3. That it is a question affecting the alliance and Turkey (and it is not a Greek-Turkish difference) that Turkey refuses to accept Greece's return to the military structure of the alliance. It must be up to the West and the alliance to recommend to Ankara to come to its senses.
4. That this year's position by the United States and the alliance toward Turkey encourages its intransigence and facilitates prolongation of the current state of uncertainty which serves neither the interests of Turkey itself nor the interests of the alliance in the southeast Mediterranean.

On this point it is recalled that the Greek Government underlines to Washington the latter's increasing responsibilities and the bitterness of the Greek side because it does not meet with the required U.S. understanding on these just Greek positions. It is this very lack of understanding which has led bipartite relations to the phase of freezing and immobility.

5. That in an effort to facilitate progress in negotiations the Greek side proposed the Haig-Davos agreement of 1978 as a basis for the country's reincorporation within the alliance and that it is this agreement which was accepted by the alliance and by Greece but that it was undermined by Turkey.

A strong impression has been created among political circles in Athens by the fact that once again there has been "a leak of information" and secret documents dealing with the relations of Greece and the United States and of Greece and NATO in the U.S. capital and to the same Athens newspaper.

Only 3 days ago the same newspaper, quoting its Washington correspondent, published the Rogers Plan for Greece's return to NATO at a time when this plan was rejected by the Greek Government. One year ago the Haig Plan (and this time verbatim) was leaked to the same newspaper at a time when this plan had also been described as nationally unacceptable.

It must, in any case, be stressed that this time the Karamanlis letter to Carter was not fully "leaked." It was transmitted and published with comments which attributed the prime minister with observations about the opposition. These observations were given prominence by the coalition's newspaper and they helped the (majority) opposition to make relevant statements.

According to the correspondent's political observations it was attempted to give the impression that "leading personalities of 'new democracy' had furnished guarantees to the U.S. administration that any Greek decision in reference to full withdrawal from the military and possibly the political wings of NATO would not mean closure of U.S. bases in Greece."

Also according to this correspondent and the newspaper, all this was undertaken "without this meaning that such guarantees were given with the knowledge of Karamanlis."

As stressed by authoritative circles it is absolutely impossible that members of the government would give guarantees to foreign governments without the prior approval or in the ignorance of the prime minister. This applies particularly to issues of such importance.

CSO: 4908

**HALLGRIMSSON SAYS READY TO RESIGN AS INDEPENDENCE CHIEF**

Reykjavik MORGUNBLADID in Icelandic 9 Mar 80 p 30

[Unattributed article: "Geir Hallgrimsson in an Interview with VISI: I Have No Interest in Being Chairman If I Do Not Enjoy the Trust of Party Members"]

[Text] Geir Hallgrimsson, chairman of the Independence Party, said in an interview with the newspaper VISI yesterday that he had no interest in being chairman of the Independence Party if he did not enjoy the trust of party members. In this interview Geir Hallgrimsson was asked whether or not he had considered resigning from the chairmanship, "in the wake of the defeat of the party under your leadership." He replied: "No, I have not, and we should not speak of a defeat, rather of difficulty. On the other hand, I have no interest in being chairman if I do not enjoy the trust of party members. I feel it my duty to hand over the party to others under such conditions that it may not be said that I have surrendered or violated the trust shown me by the last convention."

Geir Hallgrimsson was then asked in the interview whether or not he would consider being in the party Althing delegation if someone else was chosen chairman of the party. He answered: "Yes, I would be very happy to do so. But I have never planned to be either an Althing delegate or chairman of the party for an extended period of time. I have always been determined to retire while I am still young and before I am burned out so that I can become master of my own time. I have not been master of my own time since I was mayor."

In the interview with VISI Geir Hallgrimsson was asked whether or not he had planned to leave the task to colleagues or was ready to choose a successor. He replied: "I cannot say. It is certainly the duty of a political chief that there are people in his party ready to take over."

The chairman of the Independence Party was then asked what feelings he had occupying his post, which he was assigned by the convention, with the loss of Reykjavik city, the greatest decline in the party following in the history of the party, without it being gained back, and, finally, the palace revolution in February.

Geir Hallgrímsson answered in this way: "It is clear that there is adversity, which we have to endure without becoming disheartened. On the other hand, it is clear that although the Independence Party lost substantially in 1978, it would have been able to recover its following if people had had the good luck to stand together. Then there would have been no serious dispute over issues within the party on the part of those who have now separated themselves from the Althing delegation. In the spring of 1978 solemn oaths and statements were made that everyone stood behind the chairman but the fact have shown otherwise. The explanation for this, among other things, is that the party achieved no better success than it, in fact, did in the last election and also in government formation discussions." The chairman of the Independence Party was asked what the greatest defeat in his political career was. He answered: "The loss of a majority in Reykjavik."

11,433  
CSO: 3111

**CHAMBER OF COMMERCE: RAPID INFLATION HURTS PRODUCTIVITY**

Reykjavik MORGUNBLADID in Icelandic 6 Mar 80 p 38

[Unattributed article: "Resolution of the General Meeting of the Icelandic Chamber of Commerce: Utilization of Increased Technical Know-how Precondition for Economic Progress and a Real Wage Improvement in Iceland"]

[Text] The Icelandic economy is dominated by a vicious circle of inflation. Runaway inflation impedes increased productivity and without increased productivity wage increases only lead to more inflation and not to any real improvement of purchasing power. In order to achieve economic progress and a real improvement of purchasing power in Iceland the economy must be put into a position to use new technical know-how for increased productivity and better management in the coming decade. A precondition for achieving this is changed policy in economics and in business. These things, among others, are stated in a resolution approved at a general meeting of the Icelandic Chamber of Commerce last Thursday.

It is stated there that the Chamber of Commerce feels that insufficient heed is being paid to the danger posed by inflation, perfunctory economic management and unsatisfactory working conditions in business to economic progress.

In this connection the general meeting of the Chamber of Commerce reiterated its policy in economics and business and referred, in particular, to the following articles which are considered preconditions for business enterprises successfully utilizing the technical progress of the coming decade:

We must break out of the vicious circle of inflation with a coordinated and directed policy.

An effort must be made to decrease prices through freeing price setting and the encouragement of competition.

Social savings, as a precondition for productive operation and sound finance, must be encouraged.

The goal in international trade must be free trade and free trading in currencies.

Total taxation must be reduced while a new tax system is introduced which will promote economic progress.

The economic independence of the economy must be increased to allow required room for making necessary changes and many kinds of expensive and unnecessary supervision over the normal operations of businesses must be eliminated.

Finally, state expenditures and public activity must be restricted and reorganized together with improvement in government economic administration and finances.

The basic policy in economics must include provision for the free initiative of individuals and their associations in the economy. Such a policy is based upon the free market system as the basic arrangement of the economy. The general meeting of the Icelandic Chamber of Commerce feels that economic policy of the eighties must be founded upon such a basis so that productivity enhancing technical innovations can be introduced into the economy simultaneous with their introduction among our competitors abroad. Directed measures against inflation and new room to make changes are the necessary preconditions for rapid progress and the vigorous demand of the people for better living conditions, states the general meeting resolution in conclusion.

11,433  
CSO: 3111

**NEW GOVERNMENT SENDS ITS REVISED BUDGET TO ALTHING**

Reykjavik MORGUNBLADID in Icelandic 6 Mar 80 p 48

[Unattributed article: "Draft Budget Presented on Monday: Special Energy Tax Outside the Wage Price Index, Attenuated Purchasing Power 3-4 Percent, Taxes Extended"]

[Text] The draft budget has now been completed by the government and Ragnar Arnalds, minister of finance, intends to have it available for the members of the Althing when the Althing reconvenes after a recess on Monday, 10 March, as MORGUNBLADID has learned from reliable sources. According to MORGUNBLADID's sources, total income of the treasury this year will be around 340 billion krona and that is a 10 billion krona increase over the draft budget of Tomas Arnason, which he presented last Autumn.

Provision is made for a surplus of up to 2 billion krona in the draft but it is likely that that surplus will vanish after the finance committee and the Althing have dealt with the draft. The final figures for the previous year's budget were 208 billion krona, total expenditures, and these figures marked a great increase when final calculations were made at the beginning of this year.

Basis of the draft budget of Ragnar Arnalds is the draft budget of Tomas Arnason. The draft presented by Sighvatur Bjorgvinsson has been set aside. Among changes in the draft budget may be mentioned increased expenditures for education and culture and that is the area for which Ragnar Arnalds had responsibility for in the last government. Provision is made there for providing additional resources for the wage fund of Icelandic educators to meet 85 percent of estimated extra needs for students but the sum has not been increased to 90 percent this year as Ragnar Arnalds stated previously. In place of fuel assistance provision is made that financing for payments for heating oil will be gained through a special energy tax which is now being drafted in the ministry of energy, according to MORGUNBLADID's information. The new energy tax will not be included in index figures and that is being done on the basis of the so-called Olafs Law. Article 50 of that law, which was enacted by the leftist government last year, determines that taxes and payments enacted to reduce the influence of oil price increases on the cost of home heating oil will not be included in index figures for wage improvements.

In the summary, which the Icelandic Economic Institute made for the government for the government to write the budget draft, provision is made that the purchasing power of hourly wages will decline in value by 3-4 percent this year. In the calculations of the Economic Institute everything is based upon premises stated in the government covenant of the government of Gunnar Thoroddsen. If the premises change for the worse this year wage conditions will worsen proportionally.

Another thing which MORGUNBLADID has found out about the draft budget is that the tax on office and business accommodations, which expired at the beginning of this year, will be extended for another year. In addition, health insurance payments were extended at the same time. Provision is also made that import duties on benzine will increase according to the building index in January 1980 and July 1980. The increase for January will become effective in March and the size of the increase will then have a subsequent effect when the next increase takes effect on 1 July, this summer.

11,433  
CSO: 3111

**SOVIETS ASK PERMISSION TO SEND THREE SCIENTIFIC EXPEDITIONS**

Reykjavik MORGUNBLADID in Icelandic 5 Mar 80 p 32

[Unattributed article: "The Russians Want to Send Three Expeditions to Iceland"]

[Text] The Russians have requested permission from the Icelandic Research Council for three scientific expeditions which they are planning to send to Iceland this summer, as Gunnar Bjorn Jonsson, an official with the Research Council, informed MORGUNBLADID yesterday. If permission is given the expeditions will carry out research in the west, north and east, with nine persons in all.

The scientists are Mikhael Akmediev, who has been in Iceland several times before the research, Andrei Perfiliev, who was also in Iceland for research last summer, and, finally, Alfred Geptner, who has also been in Iceland before. They will bring assistants and technicians with them and will carry out their work, to some extent, in cooperation with Icelandic scientists, Hrefnu Kristmannsdottur, Ingvar Birgi Fridleifsson and Leif Simonarson.

The Soviet investigations will be directed at sites showing signs of vulcanism, flora and geology, if possible. Gunnar Bjorn Jonsson said that the requests of the Soviets are now before the aforementioned persons for consideration and when they have expressed their views most likely the Research Council will accept or reject the requests on technical grounds, but the final decision he thought would probably lay in the hands of the minister of education, as has been the practice before in such cases.

11,433  
CSO: 3111

**NORWAY TO REPLACE USSR AS OIL SUPPLIER BY END OF 1985**

Reykjavik MORGUNBLADID in Icelandic 8 Mar 80 p 3

[Article by Jan Erik Lavre: "Iceland Will Be Able To Buy Norwegian Oil Products by the End of 1985"]

[Text] "By the end of 1985 Iceland will be able to purchase Norwegian oil with a long term agreement. We are in contact with the Icelandic government and when the refinery at Mongstad, outside of Bergen, is sufficiently large the time will have come for Iceland and Norway to sign an agreement for the sale of refined oil goods," said Haakon Lavik, press agent for Statoil, the Norwegian state oil company, in a conversation with MORGUNBLADID yesterday.

A newsman of the Norwegian paper NATIONEN, who is writing about the Northern Council meeting in Reykjavik, has said today that the Norwegian oil could become a negotiating item in the agreement on fisheries jurisdiction about Jan Mayen. It has been made clear, unofficially, on behalf of Iceland at the meeting that there is willingness to discuss a purchase of Norwegian oil as part of the jurisdiction matter and that the oil purchase will be included as part of the conclusions of the discussion. On the other hand, the MORGUNBLADID reporter in Oslo has maintained that oil is unlikely to be a major subject of discussion in the agreement talks in April.

It has long been clear that the Norwegians are ready to sell Iceland oil when conditions are ripe and that was confirmed by Bjartmar Gjerde, minister of oil and energy, to MORGUNBLADID in June of last year. On the other hand, the fact that the Norwegians can definitely promise Iceland oil can scarcely worsen the atmosphere for the Jan Mayen talks.

The oil refinery at Mongstad, which is operated by Statoil, with Norsk Olje and Norsk Hydro, and these companies are either state owned or largely state owned, is the key to the oil trade of Iceland and Norway in the future. The production capacity of the refinery is now 4 million tons of crude oil a year. Recent proposals for increased production provide for a capacity increased to 5 million tons in 1983 and by 1985 capacity is to increase to 9 million tons.

When this happens Iceland can come into the picture. Mongstad now supplies only the domestic market but with increased capacity sales to other countries will take place, first and foremost, to Iceland and Sweden, says Haakon Lavik. He says that Arve Johnsen, operations manager of Statoil, has recently been in contact with the Icelandic Government and that that contact will be maintained so that the Icelandic Government can follow developments.

Lavik said that as things stand now he could not give a definite date for oil sales to Iceland but he said, on the other hand, that the Norwegians plan to "take over" the agreement for 600,000 tons a year, which Iceland has made with the Soviet Union, and, moreover, it is thought unlikely that the trade will come to pass before 1985.

Lavik would rather not give a price in connection with sales to Iceland, which now deals on the basis of the Rotterdam price, which is high. Lavik says, on the other hand, that Iceland could, with a long term agreement, possibly get a numerically lower price than the Rotterdam price. Lavik emphasized that the Mongstad proposals have not yet been sanctioned. But it is not a question of whether they will be sanctioned or not, but only how. The Norwegians will have, sooner or later, to deal with their own problems in connection with oil refining if they plan to hold their own in the refining of the continually growing quantities of crude oil which are sought on the bottom of the North Sea.

11,433  
CSO: 3111

## GOVERNMENT KEEPS OPTIONS OPEN ON SAUDI ARABIA OIL OFFER

Reykjavik MORGUNBLADID in Icelandic 6 Mar 80 p 48

[Unattributed article: "No Position Has Been Taken on the Saudi Arabian Oil Offer"]

[Text] "What has been done in the matter is that I have familiarized myself with the question, as I have said, especially in terms of what Denmark and other Scandinavian countries have been doing," said Tomar Arnason in a conversation with MORGUNBLADID yesterday. The minister was asked whether or not any position had been taken on behalf of the government towards the Saudi Arabian offer to sell oil to Iceland.

Tomas Arnason said that he had talked with Paul Nielsen, the Danish minister of energy, the day before, along with Thorhallr Asgeinsson, ministerial chief of the Trade Ministry. The discussions took place so that the Icelandic parties would have the means to learn how Denmark has acted in the matter and whether there are good prospects in this area in the future. Agreement has been reached whereby Iceland will be allowed to keep abreast of what is being done in this area in Denmark and this will be taken into consideration when possible trade with Saudi Arabia is further considered.

Concerning agreement with Britain on oil purchasing in the future, the minister said that things are in the discussion stage at present and that no agreement was in the offing with regard to the pact.

Tomas Arnason said that a report of the Oil Trade Committee will be placed before the government in a meeting today and it was not possible to say in advance whether it would be made public or not. Various articles in the report are trade secrets, which would possibly be sensitive to publish, said the minister when he was asked if the report contained state secrets.

11,433  
CSO: 3111

## BLOC CP'S SEND BIRTHDAY GREETINGS TO PCI'S LONGO

Gierek of Poland

LD011051 Milan L'UNITA in Italian 18 Mar 80 p 4 LD

[Apparent text of congratulatory message to PCI Chairman Luigi Longo from Polish United Workers Party Central Committee Secretary Edward Gierek]

[Text] "On behalf of the Polish United Workers Party [PZPR] Central Committee I would like to send you warm communist greetings and best wishes for good health and happiness on the occasion of your 80th birthday. Please accept my own warm congratulations and best wishes too. Our party is fully aware of the part you played in the defense of the Spanish republic and also the important role you played in the partisan struggle against fascism. Your present activities--indissolubly linked with the struggle for the Italian working class's rights and interests, for freedom and democracy--constitute an important contribution to the development of the international communist and workers' movement and the consolidation of peace and socialism in the world. We greatly appreciate your cordial attitude toward Poland, the Polish people and Polish communists. We are united by solidarity in the struggle for common ends. Please accept, dear Comrade Longo, my most respectful congratulations."

[Signed] Edward Gierek, PZPR Central Committee [First] Secretary.

Le Duan of Vietnam

LD011053 Milan L'UNITA in Italian 18 Mar 80 p 4 LD

[Apparent text of congratulatory message to PCI Chairman Luigi Longo from Vietnam Communist Party Central Committee Secretary General Le Duan]

[Text] "On behalf of the Vietnam Communist Party [VCP], the Vietnamese workers and people, and on my own account I send you warmest wishes on your 80th birthday. I wish you excellent health with which to pursue your lofty responsibilities. May the friendship between the VCP and the PCI and between our two peoples be strengthened and increased still further."

[Signed] Le Duan, VCP Central Committee Secretary General.

Kim Il-song of Korea

LD011055 Milan L'UNITA in Italian 18 Mar 80 p 4 LD

[Apparent text of congratulatory message to PCI Chairman Luigi Longo from Korean Workers' Party Central Committee Secretary General Kim Il-song]

[Text] "On behalf of the Korean Workers' Party [KWP] Central Committee and on my own account I would like to send you warmest congratulations and wishes for your good health on your 80th birthday. I would like to take this opportunity to wish you, from the bottom of my heart, even greater successes in your work for your party's just cause."

[Signed] Kim Il-song, KWP Central Committee Secretary General

Greetings from Cuban CPCC

LD011057 Milan L'UNITA in Italian 18 Mar 80 p 4 DL

[Apparent text of congratulatory message to PCI Chairman Luigi Longo from the Communist Party of Cuba Central Committee]

[Text] "On behalf of the Cuban Communist Party Central Committee, all communists, and the Cuban people, we would like to send warmest congratulations to Comrade Luigi Longo on his 80th birthday. Luigi Longo's name is closely linked with the PCI's life and history. Since his young days he has devoted all his efforts to his people's struggle for the communist cause. We recognize Longo as a great antifascist fighter who organized the resistance in Italy and fought in the international brigades in Italy.

The communists and the whole Cuban people are proud to have him among our revolution's most faithful and strong friends."

[Signed] The Cuban Communist Party Central Committee.

(S): 3104

## PCP DEMANDS EXPLANATION FOR ANTI-SOVIET VISA POLICY

Lisbon AVANTE in Portuguese 6 Mar 80 p 4

[Text] A group of PCP [Portuguese Communist Party] deputies has demanded that the government give an immediate explanation for the reasons which prompted it to refuse visas to 40 Soviet tourists who were due to arrive in Portugal on 26 February of this year.

This attitude on the part of the "responsible" services is a disgrace, and follows another government position which has already banned a visit to our country by a delegation of Soviet women who are specialists in matters relating to the aged.

In addition to citing the economic harm resulting from this position on the part of the Freitas/Sa Carneiro government, the demand stresses in giving its reasons that even during the final years of fascism, Soviet tourists were visiting Portugal, and that this position has aroused serious apprehension and strong protest.

Moreover, many demands signed by communist deputies have been submitted to the government, emphasizing the following:

With regard to the shipwreck of the "O Cordeiro de Deus," one inquires what measures the government intends to adopt to reduce tragedies of this kind; another asks when the force of an order prohibiting the registration of new fishing vessels for Sines will end; and still another inquires about the guarantee of the right of young workers to occupational training.

A demand was also submitted to the government concerning the Fundao School of Elementary Education, requesting information on whether there is any danger of the closing of that educational establishment; and, in the event that the response is affirmative, what the reasons for such a closing are. Communist deputies have asked the Ministry of Education and Science about the fundamental features of the government's policy for the physical culture and sports sector.

Inquiries have been made of the Ministry of Industry and Technology about the planned construction of one or two oxygen production plants serving the National Iron and Steel Industry and Quimigal. That ministry has also been asked for an explanation regarding the purchase of a pilot solar powerplant. Finally, the Ministry of Education and Science has been asked about the status of the initiation of the Emergency Plan for School Facilities and Equipment, which was promised in the government's program.

2909  
CSO: 3101

## BUSINESS LEADER ON RELATIONS WITH ANGOLA

Lisbon A TARDE in Portuguese 28 Feb 80 p 13

[Text] The Portuguese business leader Bernardo Guedes da Silva, who has always been alert to the status of the "exemplary decolonization" of our former colonies, granted an interview to the weekly publication, O TEMPO, in which he expressed apprehension regarding the changes in the Angolan situation, particularly in connection with the investments made by Brazilian business owners in that former Portuguese territory.

When asked whether he considered it proper for a government to adopt the necessary measures to preserve its values, Guedes da Silva replied that he thought that any government which assumes that status should defend its history by all possible means. In Angola, however, according to his view, we have had activity which, this businessman claims, would make it necessary for us to take a respite in our history so that "affronts for which (Portugal) was extremely responsible" may be forgotten.

Determined to confine his views to Angola exclusively, Guedes da Silva added that the present situation existing in Angola is not very favorable to the Portuguese, and that, 6 months ago, the latter were far more hopeful. Expressing the opinion that people-to-people relations are far more important than "the mere relations between one government and another," Guedes da Silva declared: "The fact that there is a Marxist government in Luanda, and a right-center or left-center (however one wishes to describe it) government is no reason to prevent the government-to-government relations from proceeding with the normality that is desirable among civilized countries."

From an economic standpoint, with which he is most closely related, Guedes da Silva stated that business with Africa is of concern to the national business owner, justifying his position by observing: "Our capacity for marketing products is not attractive to the industrialized countries from a competitive standpoint, and it is easier to sell in our former colonies."

At the conclusion of his interview, business leader Bernardo Guedes da Silva claimed to be more concerned over "the Brazilian penetration than the Cuban."

And he added: "The Cuban penetration has no roots, there is nothing to attach those people to that land; and there is widespread dissatisfaction on the part of the Angolan people. The Brazilian problem is different: the language is similar, and there is a certain quality of the Brazilian from the Northeast which resembles that of the Angolan north of Cuanza. And it is all the more worrisome when one is convinced that Brazil is serving only as a bridge to another type of imperialism. "And I condemn both types of imperialism," he stated in conclusion.

2909  
CSO: 3101

## AREAS OF INDUSTRIAL DEVELOPMENT DEFINED

Lisbon A TARDE in Portuguese 28 Feb 80 p 10

[Text] Throughout the ages, the organization of the society, on the one hand, and the rate of the technological process, on the other, have determined the spatial distribution of populations and industrial activities.

The physical features of the territory as well, although not determining factors, have also brought about the institution of industrial establishments, inasmuch as they impose heavy restrictions on access to natural resources and to the removal of products.

In order to ascertain the location of industrial employment on the continent, the Center for Planning Studies (CEP) prepared a report which makes it possible to observe where the leading spatial groups of various industries are located and their dispersion trends, while at the same time citing the possible association between the establishments and the physical features.

Starting with the information supplied by INE [National Statistics Institute] covering the personnel in service and the number of industrial establishments with 20 or more employees, according to sectors of activity, CEP found, according to the spatial distribution of the populations and equipment, that the industrial activities are located chiefly on the coastal strip from Setubal to Viana do Castelo, with a special attraction toward the urban areas of Lisbon and Porto. Over 50 percent of the industrial employment is concentrated in the latter two areas, attesting to the distortions in the national economy, both on the level of productive structure and with regard to access of the different regions to manpower training, technology and decision-making centers, as well as heavy dependence on external markets.

#### Coastal Strip Is not a Homogeneous Space

However, this concentration on the coastal strip does not appear to be a homogeneous space from an industrial standpoint. Thus, in addition to the

concentrations in the Lisbon and Porto areas, the industrial activities, with the exception of the textile industry on the northern coast, have been organized mainly along the communications routes, with emphasis on the clusters in S. Joao da Madeira, Agueda, Coimbra and Leiria, as the CEP study indicates.

As for the industries in the interior, they follow the communications routes which penetrate inland from the coast. But this fact does not mean that the communications routes are sufficient reason for the advent of industry. In the case of the routes penetrating inland, the existing industries have been based on the exploitation of natural and human resources; and the connections with the coast are a necessary requisite for that exploitation.

The exceptions to this general pattern are the textile industries and fish canneries: The former have produced industrial blight in Ave and Cavado; and the latter, the activities on the Algarve shoreline.

#### Food, Beverages and Tobacco

According to the CEP study, in the sector of food, beverage and tobacco industries, a concentration on the seacoast associated with the leading urban centers and seaports was noted, on the one hand; and, on the other, an almost complete absence thereof in the interior districts north of the Tagus, despite the fact that they are essentially agricultural. The latter region, which is essentially the location of bakery, and fruit and garden produce canning industries, as well as oil and beverage production, contributed about 8 percent of the sector's employment on the continent, two thirds of which is in establishments with fewer than 20 employees.

The bakery and similar industries account for 20 percent of the employment in the sector, and are scattered throughout the entire territory.

The fish canneries account for 17 percent of the employment in the sector, and are concentrated in the seaports, particularly Vila do Conde, Matosinhos, Ilhavo, Peniche and Setubal, on the west coastline; and Portimao, Lagos, Faro, Olhao and Vila Real de Santo Antonio, in Algarve.

The oil production, fruit and garden produce canning, and grain hulling and processing industries have shown a trend toward locating in the rural areas. Over a third of the employment in this industry is situated in Alentejo, where food accounts for over 20 percent of the employment.

CEP states that the tobacco industries are located in the municipalities of Lisbon and Sinta; whereas the beverage industries are scattered over the entire territory, with particular emphasis on the municipality of Vila Nova de Gaia.

## **Textiles, Clothing and Leather**

The textile sector, with nearly 25 percent of the industrial employment, is the most important in the Portuguese economy. The leading areas of concentration of the textile industries have as a common feature the fact that they are areas served by constant water-courses and have distinct qualities which make it possible to use rivers as an energy source.

Hence, one notes a large complex of cotton and fiber textile plants along the Ave, Vizela and Cavado Rivers, which benefit from the abundance of manpower that affords low wages. The woolen mills, scattered through Serra da Estrela and Serra da Lousa, with their main center in Covilha, followed by Seia, Gouveia and Castanheira de Pera, are associated with the raw material that they obtain in the region itself and north of Alentejo, according to the study.

In the urban areas, only ready-made clothing carries any significant weight.

This sector is comprised essentially of textile plants, woolen mills and clothing plants (over 80 percent of the employment in the sector); although the shoe industry has given rise to the complexes in Feira, S. Joao da Madeira and Oliveira de Azemeis. The tanneries, of slight significance in the sector (3 percent), are located mainly at the Entroncamento-Porto de Mos intersection and in the Porto region.

## **Lumber and Cork**

Despite the fact that the distribution of the lumber sector coincides with the forest area, a more detailed analysis made by CEP reveals that the industries in this sector are becoming closer to the urban centers as the incorporation of labor increases.

The sawmills are scattered in small firms located in the northern and central forest area in general, along the railroad lines. It is precisely near these routes that most of the establishments in this branch are situated in the interior sections, especially in the case of the Beira Alta railroad and the Santa Comba-Viseu branch.

The carpentry industry (9 percent of the employment in the sector) is located on the coast, chiefly in the districts of Porto, Aveiro and Lisbon, allowing this industry to be linked with the civil construction sector.

The furniture industry, representing a quarter of the employment in the sector, is concentrated in the large urban centers, with a sizable number in the Lisbon region, and over 50 percent in municipalities very close to Porto (Paredes, Gondomar, Pacos de Ferreira and S. Joao da Madeira); benefiting in the latter instance from the existence of raw material obtained in the region or through the neighboring seaports.

Although Alentejo is admittedly the major producing zone for the respective raw material, the manufacture of items made of cork is concentrated in the riparian municipalities on the southern bank of the Tagus, and in the municipality of Feira. The fact that nearly all of these items are for export is certainly the explanation for the concentration in the vicinity of seaports.

#### Paper and Graphic Arts

In this sector, the attraction created by the urban centers resulting from the importance of graphic arts to the printing of publications (over 50 percent of the employment in the sector) is obvious; and nearly all of these activities are concentrated in the urban areas of Lisbon and Porto, according to the report under study.

As for the manufacture of paper pulp, its location has been determined by the considerable water requirements. In an industry wherein most of the product is for the foreign market, easy access to the international communications centers is certainly a major factor in the location. The industrial units in the municipalities of Aviero, Albergaria-a-Velha, Figueira da Foz and Setubal benefit from the nearness of seaports; while those in the municipalities of Vila Velha de Rodao and Constancia may take advantage of the rail connection with Lisbon.

Associated with pulp producing regions, the paper manufacturing industry (17 percent of the employment in the sector) is strongly established in the districts of Santarem and Aveiro, and is also scattered among rural municipalities in the interior, such as Gois, Lousa, Viseu, Tondela and Mourao, in some instances in integrated units producing their own raw material.

#### Chemicals, Rubber and Plastics

Accounting for only 5 percent of the employment, but over 10 percent of the gross value of industrial production, the sector including the chemical industries, the petroleum by-products and coal industries and the rubber and plastic products industries, has two large concentrations in the Lisbon and Porto areas, combined with small, well-defined clusters in the coastal area, according to CEP.

In the Lisbon area, particularly in the city and on the main access routes, there is over two thirds of the employment related to pharmaceutical products and over half of that related to refineries, basic industrial products, fertilizer and pesticides, dyes, varnishes and shellac.

In the Porto region the manufacture of plastic items predominates, as well as the rubber industry, which is strongly entrenched in Vila Nova de Famalicao, and the synthetic resin industry.

In addition to the Lisbon and Porto areas, there is a sizable amount of employment in the industries manufacturing plastic material products in the municipalities of Leiria and Marinha Grande.

#### Nonmetallic Mineral Products

The siting of the industries for non-metallic mineral products, except for by-products of crude petroleum and coal, seems to have been determined, on the one hand, by the existence of raw materials and, on the other, by access to the main consumer centers or those with international connections. The concentration of 25 percent of the employment, including most of that in the manufacture of glass and nearly half of that in the manufacture of cement, in the coastal section of Leiria district, gives it a privileged status with respect to access to Lisbon and Porto.

Starting in this region, and in the direction of Porto, one discovers along the northern line the porcelain, glazed earthenware and clay pottery industries, in the municipalities of Aveiro and Ilhavo; and along National Route 1, the industries producing clay materials for construction, in Coimbra and Agueda; the glass industry in Oliveira de Azemeis; and the glazed earthenware and porcelain industries in Coimbra.

In the Porto area, which concentrates about 10 percent of the employment in the sector, the municipality of Vila Nova de Gaia is noteworthy, with glazed earthenware, porcelain and clay pottery industries. The latter industry is established mainly in the municipality of Barcelos.

Prominent in the Lisbon district are the cement, glass, glazed earthenware and porcelain manufacturing industries, and those producing cement and marbelite items and clay materials for construction. Also noteworthy is the manufacture of cut stone and other stone products, particularly in the municipality of Sinta. South of the Tagus, only the Outao cement industries are prominent; and, as the CEP analysis stresses, the other establishments are scattered without any definite pattern.

#### Basic Metallurgy

The basic metallurgical industries sector is insignificant in the national context (in terms of employment, 3 percent, and in terms of the gross value of production, 4 percent); but in this sector, mention must be made of the basic iron and steel industries, representing nearly two thirds of the sector, with their main concentration in the municipality of Seixal (iron and steel).

Apart from the latter area, most of the employment in the basic iron and steel industries is located on the northern coast, particularly in the districts of Porto (Matosinhos) and Aveiro (Albergaria-a-Velha). Mention should also be made of a major establishment for the manufacture of

ferroalloys in the municipality of Nelas, as well as the small cluster in Marinha Grande, where iron and steel rolling and drawing predominate.

The basic nonferrous metal industries are located chiefly in the districts of Aveiro and Porto (municipalities of S. Joao da Madeira, Porto and Vila Nova de Gaia); although nearly three fifths of the employment related to the procurement of these metals is located in the Lisbon region, especially in the municipalities of Vila Franca de Xira and Barreiro.

#### Metal Products, Transportation Equipment and Material

Ranking in second place among the processing industries, the sector manufacturing metal products and transportation machinery, equipment and material contributes nearly 20 percent to industrial employment, a figure which is even higher in the Lisbon district, and which amounts to 35 percent in the Setubal district.

The study concludes that, therefore, the areas containing the largest concentrations of this sector, namely, Lisbon, Setubal, Porto and Aveiro, coincide with the most industrialized regions.

The manufacture of metal products (excluding transportation machinery, equipment and material) is dominated by cutlery, hand tools and ironware, the first-named concentrated in the municipalities of Guimaraes and Alcobaça, the hand tools mainly in those of Marinha Grande and the neighboring municipalities of Porto and the ironware dispersed in small amounts along the entire coast, although most of the employment is in the municipalities of Agueda, Vila Nova de Gaia, Matosinhos and Lisbon.

The only noteworthy fact about non-electric machinery is its definite attraction for the market, with textile, lumber and shoe machinery in the northern industrial zone, accounting machines in that of Lisbon, and agricultural machinery in the most mechanized farming districts: Santarem, Lisbon and Setubal.

The machinery and other electrical appliances account for 15 percent of the employment in the sector, but only about a third of that number is related to the production of industrial machinery and equipment.

Ship construction and repair predominate in the construction of transportation material, with the leading shipyards in the district of Setubal and Viana do Castelo, and the manufacture of railroad material in the municipalities of Oeiras, Lisbon, Barreiro and Entroncamento. The assembly of motor vehicles, representing less than 15 percent of the employment in the transportation material construction industry, is established mainly in the Lisbon region, although it has appeared in various parts of the country, in some instances isolated in interior rural areas (Guarda and Mangualde).

2909  
CSO: 3101

COUNTRY SECTION

PORUGAL

BRIEFS

VIETNAMESE COMMUNISTS SEND GREETINGS--"We are certain that the fraternal friendship and the combative solidarity which are of long standing between our two parties and peoples in the struggle on behalf of the noble ideas of socialism and communism will be consolidated and will develop increasingly." This statement was made in the message from the Central Committee of the Communist Party of Vietnam to the Central Committee of the PCP [Portuguese Communist Party], in response to the greetings sent by the PCP on the occasion of the 50th anniversary of the founding of the Communist Party of Vietnam: "We consider it ardent encouragement to the communists, the working class and the people of Vietnam, in their struggle to construct socialism and to victoriously defend our fatherland against the expansionist and hegemonic policy of the reactionaries, namely, the authorities in Beijing." [Text] [Lisbon AVANTE in Portuguese 6 Mar 80 p 3] 2909

CSO: 3101

## COMMUNIST PARTY THEORIST DEFENDS EUROCOMMUNISM

LD020705 Madrid MUNDO OBRERO in Spanish 25 Mar 80 p 8 LD

[Article by Alberto Infante: "Inflation and the Crisis"]

[Text] In the heat of recent debates some people have been expressing ideas such as the following: "Eurocommunism is valid in periods of capitalist expansion, but not in times of crisis"; "Economic crisis aggravates the class struggle, hinders the policy of alliances with socialists and social democrats and makes it necessary not to appear too moderate to the workers"; "In a crisis the socialists and social democrats always align with capitalism."

Leaving detailed points aside, we should reflect on the following:

1--Eurocommunism, as both theory and practice of building socialism while extending democracy, has been formulated against a striking backdrop of economic crises and social struggles. It has distant forerunners in the practice of the popular fronts and specifically in many of the PCE's experiences during the republican period. Its more recent origins lie in the period of self-criticism started by some communist parties following the de-Stalinization announced by the 20th and 22d CPSU congresses and the Sino-Soviet crisis. It developed following the experiences of May 1968 and the intervention in Czechoslovakia. It gained the status of a political theory as a result of the Chilean Popular Union Party's defeat and, in Spain, of the communists' efforts to tackle the economic and political crisis, which began in the seventies, and it culminated in the establishment of a democratic regime. In Italy too after 1970 the so-called "communist issue" began to be posed amid the greatest institutional crisis since 1947.

2--Eurocommunism tries to take into account the special characteristics of the world economic crisis, which is also a social crisis. In particular, the exhaustion of the capitalist method of expansion (1949-1973); the decline of the U.S. leadership in the imperialist camp following its defeat in Vietnam; the limits to the use of world war as a tool for redistribution together with the rise in the Third World's struggle to control its own

resources; the crisis in the political model of the countries of "real socialism" and the need to organize the European workers' struggle with methods for mobilizing nonworkers and nonpeasant social sectors (the feminist, youth and ecologist movements and so forth). Therefore its criticism of the crisis is not abstract but specific--an essential condition for any revolutionary strategy.

3--Such a strategy is the only one capable of dealing with the destructive effects which a lasting and global crisis has on the working class and the lower classes--political effects which we have seen recently in Britain, Italy and other countries. Thanks to its more passive view of the role of science and technology in times of stagnation, it makes it possible to question the irrational system of scientific, technical and professional subdivisions, which are quantitatively important and qualitatively decisive to any plan to transform society. The right, excessively optimistic about the role of science in the sixties, is now generating excessive nihilism and irrational forms of conduct with respect to technological innovation. The destructive aspect of capitalism becomes particularly evident here. Eurocommunism pursues the broadest involvement of the trade unions and the masses in determining social priorities, both in production and in the social services sector (education, health, public facilities). This makes it possible to develop a kind of relationship between work in the democratic institutions and the social movements which grants the leftwing parties the capacity for expressing general interests and sometimes the nature of national forces in a manner comprehensible to the people.

Therefore, Eurocommunism is viable, precisely because of the recent intensification of the mass struggle. To prevent authoritarian solutions and to create prospects for a transformation in the crisis, ownership relations and lifestyles must change. It should be pointed out here that the application of "class-versus-class" tactics, as Comintern proposed between 1925 and 1933, can lead the workers movement directly to defeat. The self-criticism concerning those errors must not be forgotten.

4--It is not true that the economic crisis itself hinders political convergence among communists, socialists, social democrats and other forces. If there is still fierce trade union rivalry in Spain, it is not because there is an economic crisis (there was a crisis when the coordinating body of trade union organizations was formed in 1978, and unity was still maintained), but because in mid-1979 the general union of workers was on the brink of extinction and set itself the target of survival at any price as the essential precondition for the Spanish socialist workers party's government aspirations. Its decision harms the workers and jeopardizes their medium-term objectives. But this is another matter. Furthermore, the convergences between Spanish socialists and communists in other fields (the autonomies, the anti-terrorist struggle, health, municipal administration, civil legislation) are important. Recently we have witnessed convergences in the two parties' economic programs and convergent stances on several aspects of foreign policy (NATO, the EEC, the Sahara, Palestine, and so forth).

LD020707 In Europe experience shows that wherever the communists have their own influence and pursue a responsible unitary policy, in times of crisis some socialists at least adopt unitary attitudes (as in Italy, Sweden, Finland, Iceland, the Union of the Left in France, while it lasted). The objective of unity can ever be taken as a foregone conclusion and is one which must be worked for continuously and does not rule out mutual differences. To make it feasible under present crisis conditions the socialists must not take on the defense of U.S. interests (there are already some positive signs among the Belgian, Spanish, Danish, Italian, French and other socialists) and the communists must not take on the unconditional defense of the USSR's interests--and, excluding the Austrian, Portuguese, and very recently, the French communists, this is already happening.

5--A foreign policy aimed at peace, detente and disarmament can rally many of these forces together and is of prime importance as an internal factor, since it makes possible stable cooperation among communists, socialists, social democrats and Christians, and particularly emphasizes the fact that such objectives demand the replacement of a model of society which embodies nuclear warfare tendencies as a basic element in its perpetuation. While the USSR's foreign policy toward the Third World countries is changing abruptly with the invasion of Afghanistan (whose disastrous international effects have been widely commented on), its policy toward Europe has been drawing closer to that of the United States since World War II, at least on the following point:

The maintenance of the social status quo in their respective spheres of influence. Eurocommunism aims to alter this status quo with the idea of advancing toward a workers' and peoples' Europe. Europe must be made to play an independent and decisive role in maintaining world peace now. In this connection our criticism must be directed first at the U.S. attempts to nuclearize Europe and second, at the elements of political stiffening and military predominance in the CPSU's decision.

CSO: 3110

**UCD'S ANDALUSIAN STANCE LEADS TO RESIGNATIONS WITHIN PARTY****Resignations in Granada**

Madrid EL PAIS in Spanish 4 Mar 80 p 13

[Article by Eduardo Castro]

[Text] The Democratic Center Union [UCD] in Granada has begun disciplinary proceedings against a member of its provincial executive committee, the lawyer Juan Santaella Porras, because he was the author of an article entitled "To Vote is a Right, Exercise It" which appeared on 24 February in the newspaper IDEAL "in the middle of an electoral campaign," without the party's authorization.

Mr Santaella Porras is known in political circles of Granada as a prominent representative of the social democratic center.

In addition, three new resignations became known yesterday. Virginia Quintana, member of the provincial political council of the UCD, handed in her resignation several weeks ago because she was not in agreement with the UCD's position in regard to the Andalusian referendum, though her resignation did not become known until yesterday. Virginia Quintana made public a letter in which she expressed solidarity with Juan Santaella. Also, Juan Arrabal, city councilman in Aterfe and spokesman for the centrist group in the city council, resigned his post yesterday.

**Internal Tensions**

Madrid EL PAIS in Spanish 4 Mar 80 p 11

[Text] The resignation of Felix Perez Miyares, Democratic Center Union [UCD] deputy from Huelva, as acting president of his party in Andalusia was considered by some Andalusian centrist groups as an opportunistic maneuver, in the nature of a strategic withdrawal, in order to run for a high post in the reorganization of the directive bodies of the party.

Perez Miyares was vice president of the UCD in Andalusia when Manuel Clavero left the party and he automatically became acting president of the centrist group. During the entire campaign for the referendum on autonomy of last 28 February he held the post of general coordinator for the campaign and especially distinguished himself in supporting the position favored by the central directorate of the party which defended the Andalusian autonomy statute based on Article 143 of the constitution.

The incident which, according to Perez Miyares himself, brought about his resignation was the tone which the UCE campaign acquired in its last phase and the fact that he was not called to a meeting organized by the secretary general of the party, Rafael Arias-Salgado, to discuss subjects related to the Andalusian referendum.

The differences between Felix Miyares and Rafael Arias-Salgado however, had their origin in the refusal of the former to place at the disposal of the Secretary General of the UCD a sum of money which had been turned over to him and which could only be used upon instructions from the highest levels of the party.

On the other hand, to some of the UCD militants in Andalusia it seems a bit strange that with regard to a resignation which was presented on the 25th, nothing at all was known until Saturday 1 March, two working days after the results of the referendum were known which were a serious blow to the government's expectations.

Perez Miyares's resignation falls within the framework of the tensions existing within the Andalusian UCD after the holding of the referendum on autonomy. Felix Perez Miyares is in the confidence of Fernando Abril, the Government's vice president of economics, and of former Minister of Interior Rodolfo Martin Villa. As a provincial delegate of the vertical labor union movement in Jaen, Cadiz and Guipuzcoa, he entered as an independent into the UCD electoral coalition for the 15 June elections which basically consists of persons belonging to the government of the previous regime. His role in the UCD of Andalusia gradually grew until he attained the post of regional vice president and the Government's key policy man for that area.

The results of the referendum on autonomy in Andalusia and Manuel Clavero's departure from the party mean that the Government will be formed at a time of important changes, which can be exploited by those factions which from the very beginning advised against holding the plebiscite under the conditions proposed.

The resignation of the former minister of culture, followed by that of other important personalities, have left the UCD in the province of Seville in a rather precarious position. A meeting of the regional executive board, at which it is expected that certain decisions will be made, is called for next Friday.

9204  
CSO: 3110

**SOVIET TRADE ACTIVITIES IN SPAIN OUTLINED**

Madrid ACTUALIDAD ECONOMICA in Spanish 1-7 Mar 80 pp 50, 51

[Article by J.A.R.: "The Russians Prefer Them Mixed"]

[Text] The increase in joint Spanish-Soviet enterprises and the increased presence of "red" multinational firms in Spain have been a decisive factor in the trade "boom" between the two countries: During the first 11 months of the year, trade on both sides grew 50 percent, the balance of trade being favorable to Spain in the amount of 2,692,000,000 pesetas.

During 1979 Spanish exports to the USSR reached the figure of 15,585,000,000 pesetas in contrast to the 10,919,000,000 of the previous year which shows an increase of over 50 percent--taking into account the fact that the 1979 figures covered the first 11 months. Imports during the same period rose to 12,893,000,000 pesetas as opposed to the 8,625,000,000 for 1978, also indicating a growth of over 50 percent. In addition, the two countries' trade balance like last year continues to be in Spain's favor, amounting to 2,692,000,000 pesetas, a slight increase also being secured with respect to the previous year's balance, which amounted to 2,293,000,000 pesetas.

Although the over-all figures for trade between Spain and the USSR are still relatively low, the increases that have taken place in recent years have been considerable in that the amount in the export category quadrupled for 1975, the year in which the value of products shipped to the USSR came to 4,294,000,000 pesetas.

The behavior of the import category has however been far more irregular showing that the balance has become favorable to Spain whereas in 1975 it was favorable to the USSR in the amount of 3,832,000,000 pesetas--8,126,000,000 pesetas for imports as opposed to 4,294,000,000 pesetas for exports. Beginning in 1976 imports decreased to the point of totaling in 1978 a figure similar to that of 1975--8,626,000,000 pesetas--and last year reverted with a new impetus to the amounts previously mentioned.

AN EXPANDING MARKET

(Spanish-Soviet Trade in Millions of Pesetas)

Year	Imports	Exports
1975	8,126	4,294
1976	10,977	6,697
1977	9,232	7,692
1978	8,626	10,919
1979*	12,893	15,585

\*January-November

Independently of Spain's foreign policy of opening the door to Eastern Europe, there is no doubt that the presence of Soviet multinational firms over the past 2 years has by means of joint firms strongly promoted trade between the two countries. Aside from SOVHISPAN, a joint Spanish-Soviet enterprise with each holding 50 percent, operating in Spain since 1971, the invasion of Soviet multinational companies has come about over the past 2 years through the creation of the joint firms INTRAMAR, Maderas Rusas [Russian Wood], VITAMAG and SOQUIMEX.

The oldest, SOVHISPAN, with 140,000,000 pesetas in capital, has a 50 percent participation by the USSR's Ministry of Fish Industry and the remaining 50 percent is divided between the General Tobacco Company of the Philippines and Vapores Suardiaz [Suardiaz Steamship Company]. In addition it has three subsidiaries devoted to the shipping trade, to the sale of turnkey projects and to commercializing products used in large quantities.

SOVHISPAN, according to firm sources, represents at the present time about 30 percent of Spanish-Soviet trade, the major part of its operations being concentrated in the iron and steel, textile, footwear and food sectors. One of the subsidiaries, SOVIEMEX, is associated with the TRANSAFRICA firm headed by Jaime Salana which between 1975 and 1977 sold supermarkets to the USSR in the amount of \$15,000,000.

INTRAMAR has capital amounting to 24,000,000 pesetas divided between SOVINFLOT and MORPASFLOT--together holding 50 percent--and the Spanish firm, INTRAMEDITERRANEA, Inc., which is mainly devoted to maritime shipments and international surface transport. Total trade between Spain and the USSR is funneled through INTRAMAR's fleet operating principally through Baltic and Black Sea lines.

Four Russian enterprises--MACHINEXPORT, TEHMASHEXPORT, TECHMAEXPORT and ENERCOMASHEX--share 50 percent of VITAMAG's capital with a participation of over 20,000,000 pesetas. The Spanish enterprise EPYR, Inc., devoted to business representation and commissions, holding the other 50 percent, is connected with the [Juan] March Bank and deals in coal, asbestos and mining machinery with the USSR.

The Spanish enterprise Maderas de Lequeitio and SOVHISPAN and Exporties each hold 50 percent of Maderas Rusas' 40,000,000 capital. The firm's purpose is to channel between Spain and the Soviet Union the trade in wool and other derivative products which up to now was being carried out through third countries with the resulting increase in commission costs.

8094

CSO: 3110

COUNTRY SECTION

TURKEY

BRIEFS

HIGHWAY PROJECT SIGNED--Turkey has signed the Transeuropean North-South [TENS] Highway Project. The project, which was signed by Turkey's permanent representative to the United Nations in Geneva, Kamuran Inan, envisages the construction of a highway starting in Poland's Gdansk port in the north and ending at the eastern border of Turkey in the south. The project was planned within the framework of the UN Development Program and the EEC. [TA192101 Ankara Domestic Service in Turkish 1600 GMT 18 Mar 80 TA]

CSO: 4907

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